

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday October 19 1983

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Reagan: up and almost running for 1984, Page 16

Arabia ... 15	Indonesia ... 7500	Portugal ... 65
Bahama ... 1100	Japan ... 1550	S. Arabia ... 600
Belgium ... 35	Jordan ... 500	Singapore ... 4.10
Canada ... 50	Kuwait ... 500	Spain ... 30
Denmark ... 7.00	Lebanon ... 1.50	Switzerland ... 2.70
France ... 5.50	Luxembourg ... 4.25	Taiwan ... 1.50
Germany ... 2.00	Malaysia ... 4.25	Turkey ... 1.50
Greece ... 1.50	Mexico ... 3.00	U.A.E. ... 5.50
Hong Kong ... 12	Netherlands ... 2.75	U.S.A. ... 1.50
India ... 15	Norway ... 6.00	
	Philippines ... 20	

NEWS SUMMARY

GENERAL

U.S. plan to speed defence weapons

President Ronald Reagan's top defence and security advisers are recommending an accelerated \$18bn to \$27bn five-year programme to develop a new generation of space- and ground-based defensive weapons.

They would be intended to destroy any incoming intercontinental ballistic missiles, and would use lasers and destructive beams.

The White House said it had not received recommendations, but denied suggestions that it would breach the 1972 Anti-Ballistic Missile Treaty with the Soviet Union. Page 4

E. German threat

East German lawyer Wolfgang Vogel, who negotiates the uniting of families divided by the Berlin Wall and the release of East German political prisoners from West Germany, said on West German television that these arrangements could end if new medium-range missiles were stationed in that country. Page 18

New Soviet cruiser

West German naval pilots have photographed a new generation of cruiser, with 24 missile launchers, off Scandinavia's North Cape.

Jailed for air sales

U.S. aircraft parts company vice-president Donald M. Malson, was jailed five years in Chicago, and fined \$120,000 for illegal sales to Libya.

Indian arms deal

Soviet Union has agreed to supply India with its latest fighter, the MIG 31, in an arms deal that includes tanks, missiles, and other weapons. Page 18

Four die in Lebanon

Lebanon army tanks shot at grenade-throwing Shia militia in Beirut's southern suburbs. Four people, including two soldiers, were killed, and 10 wounded. Lebanon peace talks tomorrow. Page 5

Arafat rejected

Syrian-backed Palestinian command group Sa'ad said in Damascus that it no longer recognised Yasser Arafat as leader of the Palestinian Liberation Organisation.

'Iran plans attack'

Iraq said Iran had completed preparations for a new offensive in the three-year-old Gulf war. Iran said its anti-aircraft fire shot down an Iraqi military jet over Marivan, in Kurdistan.

Neo-Nazi trial opens

Eight Austrians and one West German went on trial in connection with a series of Vienna and Salzburg bombings aimed at Jews, and with possession of explosives.

Berlin women held

Five East Berlin women out of about 40 who wrote to local military chiefs protesting about plans to conscript women were detained by security officials, according to friends.

Briefly ...

Journalist Michael Mills, 56, has been nominated as the Republic of Ireland's first ombudsman.

Himalayan avalanches killed two Austrian and two West German climbers.

Gastro-enteritis has killed more than 90 people in two weeks in north-west Nigeria.

BUSINESS

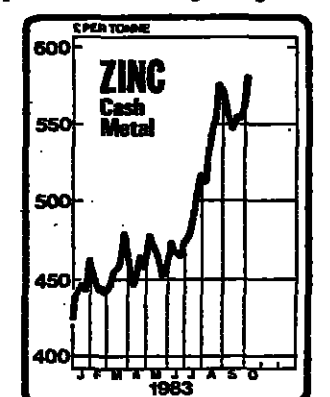
Frankfurt shares at 23-year peak

FRANKFURT: Commerzbank index rose 7.9 to reach 989.7, a 23-year high. Report, Page 27. Leading share prices, Page 30

LONDON: FT Industrial Ordinary index edged up 0.6 to 678.2. Some Government securities showed marginal falls. Report, FT Share Information Service, Pages 31-34

WALL STREET: Dow Jones index closed down 17.89 at 1,250.81. Report, Page 27, full share listings, Pages 28-30

TOKYO: Nikkei Dow index fell 71.84 to 9,349.06, and the Stock Exchange index dropped 4.49 to 621.28. Report, Page 27, leading prices, other exchanges, Page 30



ZINC prices rose in London on fears of increases in European producer prices. Cash zinc closed £5.75 at £580.25 (\$870.67) a tonne. Page 36

DOLLAR continued to lose ground, although it picked up before the close in Europe. It closed at DM 2.5845 (DM 2.663), FF 7.903 (FF 7.953), SwFr 2.0985 (SwFr 2.11) and £232.25 (£233). Its Bank of England trade-weighted index fell from 125.4 to 125.6. In New York it closed at DM 2.5905; SwFr 2.1039; FF 7.930 and £232.82. Page 37

STERLING eased 10 points to £150.05, and to DM 3.88 (DM 3.91), FF 11.855 (FF 11.9425), SwFr 3.15 (SwFr 3.1725), and ¥348.5 (¥350). Its trade-weighted index fell from 83.1 to 83.3. In New York it closed at \$1.50. Page 37

GOLD rose \$2.25 in London to \$396.875, by \$2.625 in Frankfurt to \$397.25, and by \$3 in Zurich to \$397.5. In New York the Comex October settlement was \$396.3 (\$397.4). Page 36

PORTUGAL is to borrow Esc 98bn (\$784m) abroad, raise Esc 138bn from the domestic banking system and issue Esc 35bn in bonds and Esc 2.4bn in savings certificates to finance a 1984 budget deficit of Esc 172.6bn and repay Esc 98.8bn of public debt. Page 2

TORONTO SUN group is to buy the Houston Post from the Hobby and Catto families for \$100m. Page 4

RUMASA, formerly Spain's largest private holding group, has lost at least Pta 42bn (\$280m) since its appropriation by the Government nearly nine months ago, parliament's budget committee was told. Page 19

COMMERZBANK, West Germany's third largest, plans to resume paying a dividend, after three blank years. Page 19

CITICORP U.S. bank, raised nine-month net income 24 per cent, to \$659m. Page 19

VALORES Industriales, Mexico's second largest group, has agreed with its foreign bank creditors plans for rescheduling \$1bn debts.

CATERPILLAR TRACTOR of the U.S., world's biggest maker of construction equipment, lost \$70m in the third quarter, taking its nine-month deficit to \$334m. Page 18

Japan to accept U.S. import quotas on special steels

BY OUR FOREIGN STAFF

The Japanese Government yesterday signalled its willingness to give ground on some of the issues that continue to aggravate its relations with the U.S. and the EEC, its major trading partners.

Tokyo decided to accept the imposition by the U.S. of import quotas on three types of special steel, Mr Sosuke Uno, International Trade and Industry Minister announced. Japan originally sought withdrawal of the U.S. global import quota imposed in July against Japan, the EEC and several other nations. It has now agreed to accept the restraint on the understanding that it will be given a "country allocation" within the overall U.S. quota of about 22,000 tons per year.

The limitation will be effective for the year ending July 19 1984, and will include an export quota for stainless steel bar, stainless steel rod and alloy tool steel, as well as import tariff increases by the U.S. on Japanese shipments of stainless sheet, coil and plate. U.S. imports of these products totalled 28,000 tonnes in 1982-83.

Japan, in turn, will have the right to negotiate for compensation for the effects of the penalty, as the EEC currently is doing in its dispute over the special steels issue with the U.S.

In July, President Ronald Reagan announced a programme of import quotas and tariffs intended to give the recession-hit domestic special steel producers relief from foreign competition.

Japan responded by seeking negotiations with the U.S. under the General Agreement on Tariffs and Trade. The U.S. took its action under GATT article 19, which allows a country to protect a troubled industry provided the action affects all suppliers.

Foreign Ministry officials yesterday said Mr Yoshio Okawara, Japan's ambassador in Washington, had told the Prime Minister, Mr Yasuhiro Nakasone, that "despite a series of Japanese market opening measures, the U.S. trade deficit with Japan is expanding... If left unaddressed, trade will be a major issue in next year's (U.S.) presidential election campaign."

The latest Japanese moves follow Monday's decision by the EEC Council of Ministers to double the Community's tariff to 18 per cent on compact disc players, of which Japan is the main producer. The Council said it would continue to maintain its restrictions on Japanese imports. The move to increase the tariff on the disc players will require a majority vote.

Among the more contentious issues remaining to be resolved in Japan-U.S. bilateral relations are U.S. demands for a continuation of voluntary restrictions on car exports, more procurement from the U.S. by the para-statal Nippon Telegraph and Telephone Corporation, Japan's purchase of U.S.-made satellites and liberalisation of farm products trade, notably in beef and oranges.

David Brown in Stockholm adds: The Swedish Trade Ministry has announced details of an understanding with Washington which will exempt certain special steel

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Boost to Spain and Portugal's hopes on EEC entry

By John Wyles in Luxembourg

SPAIN and Portugal's efforts to join the EEC received a long-awaited boost yesterday when Community farm ministers finally swept away some of the two-year-old obstacles to the start of key negotiations on the agricultural conditions of their membership.

An early morning agreement was reached on revising the so-called "acquis communautaire". This is EEC jargon for the existing internal arrangements for producing and marketing fruit, vegetables and olive oil. It has come to mean protecting French, Italian and Greek farmers against Spanish competition.

As a result of the agreement Sr Fernando Moran, the Spanish Foreign Minister, was told in Luxembourg yesterday that the EEC would try to table proposals for the agricultural aspects of Spanish membership in December. Equivalent proposals for Portugal may be presented a month earlier.

Internal EEC disagreements could upset this timetable, and it is, in any event, only a partial victory since it does not settle any new arrangements to be applied to olive oil. This is a grave disappointment to Italy, which, having to its isolation in the Council of Ministers, dropped its insistence on an agreement protecting its olive oil producers.

Sr Moran said he thought the agreement to be a "positive development," but neither he nor EEC Ministers see it as guaranteeing a new impetus to negotiations which have dragged on for four years.

Spain and Portugal are hoping to be members by 1986, which means the negotiations - still less than half completed - must be wound up by the end of next year.

France's attitude remains crucial. What has happened so far means that Spanish fruit and vegetable produce will be forced to enter the EEC at a higher price than at present when the market for various products is oversupplied.

This should guarantee firmer prices for French and other producers, who will also benefit from an improved Community system for purchasing surplus products.

But this year, with a modest recovery established, and a consumer boom fuelled partly by subsidised mortgage lending, Mr Lawson is anxious to curb the spending genie back in its box.

Lex, Page 18

Britain faces 'overshoot' on borrowing target

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, British Chancellor of the Exchequer, will tomorrow tell the Cabinet that the Government might be totally unable to meet its borrowing target for this year.

His view is based on figures published yesterday which show that the public sector needed to borrow £7bn (\$10.5bn) in the first six months of the financial year, only £1bn short of the Government's target for the full year.

The Treasury's anxiety about the trend of borrowing was heightened last week by an official estimate that government spending was still running well ahead of planned levels. In the six months to September, departmental spending was 94 per cent higher than in the same period a year earlier. This was a 4 per cent age points ahead of the target rate of increase for the year as a whole.

Yesterday's figures for the Public Sector Borrowing Requirement (PSBR) showed a borrowing of £3.2bn for the three months to September, and £7bn for the first six months of the financial year.

Although a saving of £1bn was described by one senior official as

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continued on Page 18

continued on Page 18

continued on Page 18

continued on Page 18

continued on Page 18

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continued on Page 18

continued on Page 18

continued on Page 18

continued on Page 18

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Du Pont agrees \$600m buy-out of Conoco detergent interest

BY TERRY DOODSWORTH IN NEW YORK

E. F. HUTTON, the Wall Street securities house, has agreed terms with Du Pont, the U.S. chemicals business, to accomplish a \$600m buy-out of the detergent interest in the company's Conoco division.

The offer is thought to be the largest ever paid in the U.S. for such a corporate divestment. The new company would be called Vista Chemical Co.

Management buy-outs have been growing in popularity in the U.S. for some time, but over the last year or so they have become much more frequent in the public company sector.

Last month, a management group at Wometco, an entertainment, cable television and soft drinks conglomerate, announced plans to make the company private in a large deal worth around

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"The British aren't always the first to spot their own best ideas."

Mr. R. Kutani
Minolta (UK) Limited

Minolta moved to Milton Keynes in 1980. Even from 6,000 miles away it looked like a very good idea.

Find out more about moving your company to Milton Keynes. Contact: The Commercial Director, Milton Keynes Development Corporation, Wavendon, Milton Keynes, MK17 8LX. Tel: (0908) 74000.

CONTENTS

Europe ...	2, 3
Companies ...	19
America ...	4
Companies ...	19, 20
Overseas ...	5
Companies ...	20
World Trade ...	6
Britain ...	8-11
Companies ...	22-26
Agriculture ...	36
Arts - Reviews ...	15
World Guide ...	11
Commercial Law ...	36
Commodities ...	37
Currencies ...	37
Editorial comment ...	18
Energy Review ...	13
Eurobonds ...	31
Financial Futures ...	37
Gold ...	36
Int. Capital Markets ...	38
Letters ...	17
Lex ...	14
Management ...	27
Market Movements ...	16
Men and Matters ...	25
Mining ...	37
Money Markets ...	36
Raw materials ...	36
Stock markets ...	27, 30
Wall Street ...	27-30
London ...	27, 31-34
Technology ...	21
Unit Trusts ...	34, 35
Weather ...	18

White House: Reagan gears up for election year ...	16
British youth training: the missing link, perhaps ...	17
U.S. securities market: why the SEC has to act ...	17
Siberia: trapped ships pose development problems ...	2
Nigeria: emphasis placed on economic management ...	5

Management: why Mitel hit trouble ...	14
Editorial comment: Britain and France; Mozambique ...	16
Lex: U.S. banks; Paterson Zochonis; Brooke Bond ...	18
Technology: drilling for oil horizontally ...	21
China: Survey ...	Section IV

EUROPEAN NEWS

Spain lays ambitious plans for electronics

By David White in Madrid

SPAIN WILL seek to double consumer electronics exports and step up computer industry growth by more than a third each year under a plan due to be approved shortly by the Government.

Covering the period to 1987, the plan is aimed at cutting the trade deficit in electronics in constant terms from last year's Pta 200bn (£394m) and reversing the tendency of domestic output to trail behind consumption and imports.

The ambitious targets, including average production increases of almost 19 per cent a year, at constant prices, follow contacts with companies in the sector, which include multinationals such as France's Thomson and the Dutch Philips group.

The draft plan foresees Pta 160bn (£1707m) worth of state support: export and investment aid, buyers' credits and research subsidies.

Special emphasis is placed on computers, including software and services. Output in this sector is seen increasing by 33 per cent a year and exports by 39 per cent, leading to 1987 levels respectively four and five times what they were last year.

The intention is to hold import growth to 12 per cent a year while the Spanish market grows by close to 17 per cent. Spain's deficit in computer hardware is forecast to drop by almost a quarter.

Targets for telecommunications and broadcasting equipment bring the trade balance in these products close to equilibrium at the end of the plan. Exports of all professional electronics, including military, are seen rising by 18 per cent a year while the growth of imports—concentrated in industrial uses, where the market is expected to double—is held to 4 per cent.

The country's fast-growing activity in television sets faces a drop in the Spanish market, but the plan envisages offsetting this with a sharp surge in exports, turning 1982's deficit into a large surplus by the end of the plan.

Overall output in electronics is targeted at Pta 536bn (in constant 1982 terms) in 1987, an increase of 136 per cent. For exports, the targets imply a growth of almost 360 per cent.

Trapped ships pose problem for Siberia development

By ANTHONY ROBINSON

AN EPIC struggle of men and ships against the elements is taking place in the windswept frozen wastes of the Arctic. Four convoys totalling more than 40 Soviet ships risk being crushed in pack ice up to three metres thick in the Chukotsk Sea, north-west of the Bering Straits.

One freighter, the Nina Sagaidak, has already sunk and the crew of another, the Kolya Myagotin, has been taken off by helicopter.

An emergency commission has been set up at the Arctic port of Pevek which is co-ordinating a rescue attempt by three nuclear-powered ice-breakers. This is led by the Leonid Brezhnev, which, under its former name, Arktika, became the first ship to sail to the North Pole six years ago.

The convoys are all victims of the early onset of winter after a particularly cold summer which prevented the normal summer melt of the previous winter's pack ice. Now, north-easterly gales and temperatures as low as minus 20 centigrade have evened the ice so thick that even the nuclear ice-breakers risk being caught fast or having their propellers damaged.

The crisis facing the northern merchant shipping lines not only carries with it the risk of losing many modern vessels, it

also poses grave problems for future supplies to huge areas of Siberia.

There are few roads or railways in northern Siberia. But many deep, navigable rivers, like the Ob, the Yenisei and the Lena, flow from south to north and empty into the Arctic Ocean. For a very short period, often less than three months, these rivers provide access deep into Siberia.

They are the main means for supplying plant, equipment, food and other necessities to the isolated towns, oil and gas exploration teams and construction projects in the Siberian outback.

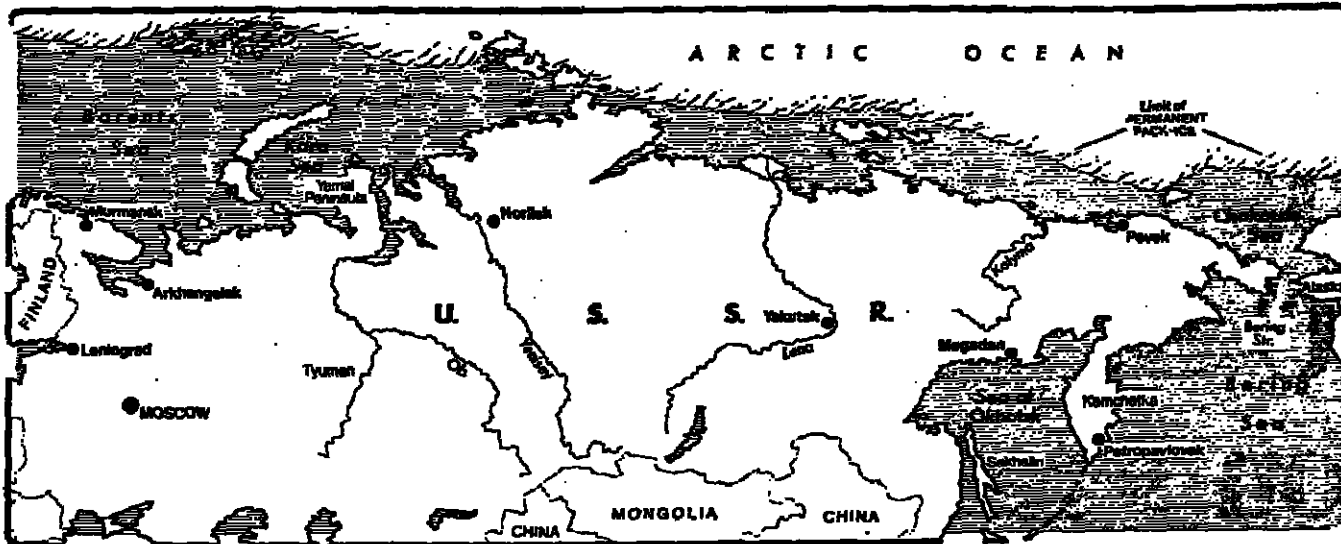
Norilsk on the Yenisei, for example, is the largest city above the Arctic circle, with 200,000 inhabitants engaged in mining and smelting rich polymetallic ores of copper, nickel and other non-ferrous metals. It is almost totally dependent on the Arctic route for supplies and for shipping out ore and metals.

Steel pipes, drilling equipment and other supplies for the oil and gas rich Tyumen and Yamalo-Nenets regions of western Siberia are also mainly delivered by river by the Arctic fleet.

In the north-east, the Lena is the main transport route for opening up the vast oil, gold and mineral deposits of Yakutia, and will remain so even when the proposed extension to the BAM railway moves north to the capital, Yakutsk, sometime in the 1990s.

The great Siberian rivers are also a source of hydro-electric power and many more stations are planned over the rest of the century.

High priority has been given in the current five-year plan to increasing the Arctic fleet and building ice-breakers with the aim of extending the shipping season eventually to an all-year service. Some 28 new specialised ice-breaking cargo ves-



sels with an aggregate tonnage of around 300,000 dwt have been ordered from Soviet and Finnish yards.

Most of the new vessels are 20,000 dwt, with a draught of 10.5 metres and 40-ton lifting capacity cranes to provide direct transshipment on to river barges.

Earlier this year, the Soviet merchant marine proudly announced that a Finnish-built cargo ship of this new class, the Igarka had made the 5,000-mile trip from Leningrad to Pevek through hummock ice up to 3 metres thick by adopting ramming tactics, and had sailed unperturbed through icefields 1 metre thick.

The new ships can be used either as ro-ro vessels, container carriers or bulk transporters and five are scheduled for delivery this year. New "soft containers" of densely woven fabric have also been developed for the polar routes alongside "air-cushion" vehicles, to move cargoes to their final destination over either permafrost or marsh.

In their haste to raise capacity on the Arctic shipping routes and extend the shipping season, Soviet planners appear, however, to have underestimated the risk to both men and ships posed by nature.

has been seen as a test case of the ability of an orthodox planned economy to adjust to the Fund's market medicine.

"We have good and close relations with the IMF," Mr Bănuțanu stressed.

The Deputy Finance Minister pointed to overall progress in the Romanian economy, which had chalked up a \$711m (£474m) surplus on hard currency trade and a \$426m surplus on current account in the first half of this year, though this was due more to import cuts than export increases.

Mr Bănuțanu said this put Romania on track for a trade surplus in 1983 of \$1.6-1.7bn, up from \$1.5bn last year, and for a current account surplus of \$800-900m, compared to \$655m last year.

Total foreign debt was down to \$9.2bn by mid-year and would be below \$9bn by the end of 1983, Mr Bănuțanu claimed.

Foreign exchange reserves, whose previous low level was a source of IMF concern, were \$675m by mid-1983, including a very conservatively valued amount of gold.

Having rescheduled its debt repayments for the past two years, Romania was finally set against doing so again in 1984, Mr Bănuțanu said.

The Ceausescu Government saw no reason for further rescheduling, with its 1983 debt payments to western banks and governments successfully renegotiated this summer and with some trade credit lines being re-opened by western governments.

Canada has recently renewed credit for the nuclear power plant it is building at Cernavoda, in Romania. With the visit here last week by Mr Malcolm Baldrige, the U.S. Commerce Secretary, the U.S. Export-Import bank is apparently ready to do business with Romania again.

Romania resists IMF calls for higher energy prices

By DAVID SUTCHAN IN BUCHAREST

ROMANIA is resisting pressure from the International Monetary Fund (IMF) for further increases in its oil and gas prices, which have been raised twice already this year.

Mr Iulian Bănuțanu, the Romanian Deputy Finance Minister said in an interview here that further price increases particularly on gas were unacceptable.

The IMF, which currently has a three-year standby credit adjustment programme with Romania, has been urging Bucharest to close the gap between its domestic energy prices and world levels, both as a spur to domestic production and as a curb on consumption.

Reduction in Romanian imports of crude oil, which were recently being refined and re-exported at a loss, is seen as a key factor in preventing the country from relapsing into a debt crisis of the scale that hit it in 1981-82.

The Romanian dispute with the IMF is over the means of solving the country's energy problems, not the policy goal itself. Mr Bănuțanu said domestic oil production this year would be "at least 1m tonnes higher" than the 11.7m tonnes output of 1982, although it would still fall short of the 13.5m tonnes target for 1983.

He also said oil imports were lower this year, though official figures show this decline to be slight—8m tonnes of coal equivalent in the first half of this year compared with 8.7m tonnes of coal equivalent in the same period of 1982.

Romania is the only Comecon oil and gas producer of significance behind the Soviet Union, but it has since the mid-1970s drawn increasingly on imports to keep its heavily oil-based industries going.

The Minister explained that after the energy price rises in January and July this year (prescribed by the IMF), the well-head price for domestic oil was "very near world levels."

He said there was a possibility of further price increases on oil used by Romanian industry, but not on gas.

"We are not near the world level on gas prices," he admitted. But Romania believed that, international gas prices charged by exporters like the

Soviet Union and Algeria were irrelevant to its case. More relevant were the pricing policies of countries like the U.S. and Canada which consumed most of their output, and with these countries Romanian prices were comparable.

"Besides, why should we give ourselves another shot of inflation when other countries are reducing theirs?" Mr Bănuțanu added.

Romania's IMF programme, due to run until the end of 1984

has been seen as a test case of the ability of an orthodox planned economy to adjust to the Fund's market medicine.

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Portugal unveils austerity budget

By Diana Smith in Lisbon

PORTUGAL PLANS to borrow Esc 90bn (£12m) abroad next year, according to the 1984 austerity budget unveiled yesterday prior to debate by Parliament next month. It will raise Esc 136bn (£181m) from the domestic banking system, and issue Esc 25bn in bonds and Esc 2.6bn in savings certificates.

These measures are intended to finance the country's Esc 172.6bn budget deficit, and repayment of Esc 38.5bn of the accumulated public debt of Esc 1.07 trillion (millions millions).

The budget forecasts current income next year of Esc 608.6bn, compared with Esc 457bn in 1983, with capital income of Esc 17.1bn (Esc 11bn).

Current spending, meanwhile, will rise to Esc 679bn (Esc 545.3bn) and capital spending to Esc 114.2bn (Esc 11bn).

The Government has scheduled 1984 repayments of Esc 33bn of foreign debt. This stood at \$14.2bn in April.

The bulk of foreign borrowing will finance planned investment and especially reproductive ventures. Servicing of the accumulated public debt weighs more heavily on Portugal's budgets each year: 1984 capital repayments of Esc 98.5bn compared with Esc 60.5bn in 1983, while interest rises to Esc 219.5bn against Esc 147bn the previous year.

Redeveloped by a thriving black economy that sums up at nearly 30 per cent of GDP, the Government plans tough customs measures against smuggling and still complementary income tax rates in cases where "external signs of living standards blatantly conflict with declared income."

The administrative public sector deficit (which includes state enterprises) will be held to Esc 178.5bn or 6.4 per cent of GDP, in line with IMF requirements.

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Specially created by the Ebic banks are a number of common investments in which either all or the majority of the member banks have important holdings. In Europe, for instance, there's European Banking Company SA Brussels and European Banking Company Limited in London which together, as the European Banking Group, wholly-owned by the seven

Amsterdam-Rotterdam Bank

Banca Commerciale Italiana

Creditanstalt-Bankverein

Deutsche Bank AG

Midland Bank plc

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EUROPEAN NEWS

Papandreou promise to fight corruption in private sector

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Prime Minister, Mr. Andreas Papandreou, told an enthusiastic crowd of supporters in central Athens yesterday that his government is determined to stick to a neutralist foreign policy and to impose a new code of business ethics on a traditionally corrupt private sector.

He was addressing a celebration in the capital's central Syntagma Square of two years of Socialist Government in Greece. Mr. Papandreou's Pan Hellenic Socialist Movement, Pasok, ended almost half a century of right-wing rule.

"They ask us whether we are on the side of the West or the East. We say we are on the side of peace. Little Greece is in the front line of the fight of the people of Europe for detente," Mr. Papandreou told the wildly cheering crowd.

There were more cheers when the Prime Minister spelled out his government's crusade against corruption in the private sector. "A new wind is blowing, sweeping away the sins of the past and bearing the message of a new ethic," he said. "The corruption which has shadowed the past of the private sector must end."

Mr. Papandreou made no mention of the EEC. As opposition leader he had promised to pull Greece out of the Community following a referendum. But his moderation on the EEC issues was more than counterbalanced by a strong line against Turkey, Nato and the U.S. bases in Greece.

He also left no doubt that his Government intends to pursue

a hard ideological line in both foreign and economic policy. He reiterated the Socialist commitment to opposing the deployment of Pershing 2 and cruise missiles in Western Europe and to creation of a nuclear-free "zone of peace" in the Balkans.

The Prime Minister also confirmed that the Government will continue to nationalise industries in difficulties and take their managements to court if necessary. A month ago, the Government charged the management of Hercules General Cement with fraud and this has apparently set the tone for its future approach toward the private sector.

Yesterday's gathering had a strongly pre-election air enhanced by floodlighting, loudspeakers broadcasting left-wing ballads, a multitude of posters bearing Mr. Papandreou's portrait and commemorative balloons and buttons sported by Pasok faithful who had reportedly flocked to the capital from all parts of Greece.

The Socialists are only half-way through their four-year term and Mr. Papandreou has said repeatedly he will not go to the polls before 1985. But the energy put into the anniversary gathering has reinforced speculation that he is keeping his options open.

The event drew the acute criticism of Greece's right wing New Democracy Party which has accused the Government of burdening the Greek taxpayer with the expense of what they have dubbed "the festa."

Britain warns Denktash

BY OUR ATHENS CORRESPONDENT

BRITAIN HAS again warned Mr. Rauf Denktash, the Turkish Cypriot leader, not to declare independence in the Turkish-occupied north of the island. Such a move could destroy the peace initiative launched in August by Sr. Javier Perez de Cuellar, the UN secretary-general, which has the support of Britain.

London is understood to have been discouraging Mr. Denktash from declaring independence since May. He renewed his

threat last spring after quitting UN-sponsored inter-communal talks in Nicosia in protest at a Greek-Cypriot recourse to the UN.

His warnings were repeated earlier this month following unproductive meetings in New York with Sr. Perez de Cuellar on the latest peace initiatives.

Ankara, from which Mr. Denktash takes his cue, is understood to be reluctant to give a green light to the independence move.

Ireland gets ombudsman

BY OUR DUBLIN CORRESPONDENT

A JOURNALIST has been nominated as the Republic of Ireland's first ombudsman. He is Mr. Michael Mills, 56, the political correspondent of the Irish Press newspaper. Mr. Mills' nomination, which has to be ratified by the Dail, was announced by Public Service Minister Mr. John Boland.

The post of ombudsman was first suggested as long ago as 1962 and the legislative framework for the office was provided in 1980. Since then, the

post has been in cold storage because of a shortage of funds.

The ombudsman will be responsible for investigating complaints about administrative actions and delays suffered by people or corporate bodies in their dealings with the civil service. In making his investigations, the ombudsman will be empowered to seek the files of any government department and may question parties to any complaint and relevant officials.

Burger King plans \$20m investment in Europe

BY LISA WOOD

BURGER KING Corporation, the world's second largest hamburger restaurant chain, is to spend \$20m (£15m) on refurbishing and extending its outlets in Europe.

The Miami-based company entered the European market in 1978 but its performance in the highly competitive, expanding fast food market has been disappointing.

While U.S. pre-tax profits—where the company has 3,200 out of its total 3,500 outlets—were \$80m in the year to May 1983, losses incurred in overseas outlets reduced the total pre-tax profit to \$74m. Mr. Paul Hoagland, the European director of finance, said: "European outlets represented the majority of the losses."

At present Burger King, which makes the "Whopper" hamburger, has 69 outlets in Europe, nine of which are in the UK.

By 1987 Burger King aims to have 350 outlets with 50 in Britain. Mr. Hoagland said the prob-

lem to date had been a lack of aggressive and discriminating marketing. "It was shot-gun penetration of the market," he said, "and there were no economies of scale."

"The way we are now looking at Europe is that it will cost us money to make money." In Britain, he said, the hamburger market, led by McDonald's, the U.S. leader, was worth some 20 per cent of the total \$850m restaurant and take-away market. Burger King, he said, had not even "scratched the surface" of the UK market but was optimistic of tremendous growth potential.

Mr. Bill Prather, senior vice president of Burger King and general manager of the European operation said the new strategy would secure a "firm, lasting and profitable operation in Europe."

A wholly-owned subsidiary of the Pillsbury Company, Burger King has annual sales of over \$2.8bn. About 85 per cent of Burger King food outlets are operated by franchisees.

SPD CHAIRMAN MAY BROADEN APPEAL OF PEACE MOVEMENT

Brandt set to address mass rally

BY JAMES BUCHAN IN BONN

HERR Willy Brandt, the former West German chancellor and chairman of the Social Democrat Party (SPD), is almost certain to be the main speaker at a mass rally in Bonn on Saturday, the climax of 10 days of protest and demonstrations against the deployment of U.S. nuclear missiles in the country.

The approval by the SPD president late on Monday night of Herr Brandt's intention is a badly needed success for the West German "peace movement." It also confirms the SPD's all but complete break

with the support of Nato policy still championed by Herr Helmut Schmidt, Herr Brandt's successor as chancellor until last year. "The motto is: It is time to say No," Herr Brandt, 68, said on television.

The invitation to the SPD chairman follows a wrangle within the peace movement's 26-strong "co-ordination committee," with the Greens, in particular, bitterly opposed. The Greens, who have entered local parliaments and the Bundestag, are desperately anxious that Herr Brandt's reformed Social

Democrats will undermine their very existence.

But at a meeting on Sunday night, the groups calling for a "radicalisation" of the disarmament movement were roundly defeated by the mainstream protestant left, the communists and young Social Democrats. Only two small church groups voted against the Brandt invitation and the Greens were forced to abstain.

The chief feeling is that a man such as Herr Brandt, who was voted into power at a time of compar-

able unrest and self-doubt in 1969, could help broaden the appeal of a movement which has brought tens of thousands of Germans on to the streets since last Thursday.

Above all, it is hoped that a link with the SPD might remove some of the inhibitions of the trades unions which, despite a strong tradition of hostility to rearmament, have held themselves back. Only the more radical small unions, such as the printers and journalists and the teachers, have spoken out for industrial action.

Craxi to reaffirm support of missiles

BY JAMES BUXTON IN ROME

SIG Bettino Craxi, the Italian Prime Minister, is expected to reaffirm Italy's commitment to installing cruise missiles in Sicily when he sees President Ronald Reagan this week as part of his U.S. tour, which he started yesterday.

The visit to the U.S., at the invitation of President Reagan, will also be an important demonstration of U.S. approval of Sig Craxi, Italy's first socialist Prime Minister.

To overcome possible U.S. suspi-

cions about his government's policies, he has emphasised in an interview with the New York Times that his is a five-party coalition government in which the Socialists are in a minority.

After an unsuccessful attempt last month to find an opening in the deadlocked Geneva negotiations on the installation of cruise and Pershing missiles, Sig Craxi has accepted that, without a substantial change in the Soviet position, there is no chance of postponing of deployment

of cruise missiles in Sicily from the end of the year.

The Italian government does not have to worry seriously about the Italian peace movement, which, although planning a big demonstration in Rome on Saturday, is much weaker than its equivalent in West Germany. That is partly because of the reluctance, for tactical reasons, of the opposition Communist Party to give it wholehearted support.

Italy has, however, some flexibility on the cruise missile question,

because work on the base at Comiso is behind schedule and the first missiles are not expected to be installed and operational before March or April next year. However, the launchers should arrive about the end of the year, when the deadline with the Soviet Union expires.

Although Sig Craxi is likely to be in broad agreement with the U.S. Government on the cruise missile question, he will be expressing his Government's reservations about other aspects of U.S. foreign policy.

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OVERSEAS NEWS

Lebanon
peace talks
to start
tomorrow

By Nora Boustany in Beirut

THE LEBANESE Government said yesterday that peace talks—delayed for nearly three weeks because of quarrels among the warring factions over a venue—would start tomorrow at Beirut International Airport.

The announcement, made on Beirut Radio, followed talks in Damascus between Mr. Walid Jumblatt and Saudi mediators, in which Mr. Jumblatt asked for the "national reconciliation" conference to meet at the airport under the guard of the multinational peace-keeping force.

U.S. Marines are stationed at the airport. The aim of the talks is to deliver a revised power-sharing formula to redress further the balance among Lebanon's Christian and Moslem communities.

Despite the prospect that full-scale peace talks will at last take place, however, the country's fragile ceasefire came under more pressure yesterday as the capital's southern suburbs resounded to the third of tank-fire and rocket-propelled grenades in a widening conflict between the Lebanese Army and the Shia Moslem population.

The fighting, which resulted in the death of two Lebanese soldiers and the injury of three others, was provoked by a rocket-propelled grenade assault on army positions in the Ghalieh Seman district, Western military observers said.

The troops rioted immediately and fired into the direction of Bourj al Barajneh and its surroundings, where the attack was coming from, they added.

Voice of Arab Lebanon, organ of the Sunni Moslem Murabitoun militia, reported that at least two civilians were killed and 10 others wounded.

Israeli Cabinet
approves hardliner

MR YIGAL Cohen, Orgad, Prime Minister Yitzhak Shamir's appointee as Finance Minister, won unanimous Cabinet approval yesterday, setting the stage for parliamentary approval, according to Israel Radio, Reuter reports from Tel Aviv.

Doubts grow
over race
reforms in
S. Africa

By Bernard Simon in Johannesburg

THE South African Government's hints of race reforms have been questioned following a Cabinet Minister's threats to evict coloured and Indian residents from "white" suburbs in Johannesburg.

In a controversial statement, Mr. Pen Kotze, the Minister of Community Development, said that "drastic" legislation would be drawn up to discourage coloureds and Indians from moving into areas reserved for whites in terms of the Group Areas Act.

The measures will probably include penalties on landlords who rent properties to "illegal" residents.

Mr. Kotze was visiting the lower-income Johannesburg suburb of Mayfair where dozens of Indians and coloured families have moved recently as a result of a severe housing shortage in black areas.

About 10,000 families are at present on official waiting lists for houses and many more are looking for accommodation.

The action against "illegal" residents in white areas has been prompted partly by complaints from some Conservative whites.

But it also reflects a clear shift in government campaigning tactics for next month's referendum on the new constitution.

Initially, the ruling National Party concentrated on wooing moderate English-speaking voters. But it has switched its attention more recently to far-right Afrikaners, who are concerned that the constitution is a step towards widespread racial integration.

Coloured and Indian leaders are incensed at Mr. Kotze's statement, especially his remark that "these people didn't live in the sky before they infiltrated Mayfair. They can go back where they came from."

Mr. Allan Hendrickse, leader of the Labour Party, threatened to review the party's support for the government's constitutional proposals.

Black workers at the Rand refinery near Johannesburg plan to strike after rejecting a pay offer, the National Union of Mineworkers said, Reuter reports.

Nigeria puts the emphasis on economic management

PRESIDENT Shehu Shagari of Nigeria has signalled his clear intention of overhauling his administration, making economic management a priority, with his comprehensive reshuffle of both Ministers and Presidential advisers.

Only seven out of 45 former Ministers are included in the list of names submitted by the President to the Senate for confirmation, while only two of the 10 former Presidential advisers have been retained.

The shake-up goes considerably further than was expected in Lagos, but is in line with President Shagari's insistence that all members of the former regime resign and vacate their

offices to make way for a new team. A revamped administration also fits in with the tough inauguration speech made by the President two weeks ago, when he gave a warning of further cuts in government spending on projects; a structural adjustment process to stabilise the economy for long-term growth; the creation of a national planning commission directly responsible to the President's Office; and an inquiry to re-examine the structure and

organisation of the civil service. Three men closely involved in economic policy in the previous government have disappeared in the reshuffle: Mr. Victor Masi, the Minister of Finance; Professor Emmanuel Edozien, the economic adviser to the President; and Chief Theophilus Akinyele, the budget adviser.

No Ministerial portfolios have yet been awarded, because the list of 83 names—10 fewer than before—has yet to be approved by the Senate. However, the powerful Presidential advisers have been allocated their responsibilities, and include several very experienced men.

The crucial energy portfolio remains the responsibility of

Alhaji Yahaya Dikko, and will apparently continue to be controlled within the Office of the President, rather than having a separate Ministry.

Chief Philip Asiodu, the new economic adviser, was formerly one of the three top civil servants during the Gowon regime, whose key job was as permanent secretary for energy. He is regarded as both tough and very able.

The list of Ministers includes two key names from the former administration. Alhaji Umaru Dikko, who was Minister of Transport and chairman of the President's re-election committee, and Mallam Adamu Ciroma, former governor of

the Central Bank, and most recently Minister of Agriculture.

In his inauguration speech, President Shagari said he intended to "re-appraise and re-order our priorities" in the light of the country's economic problems, precipitated by the international oil glut. He gave a warning that the forthcoming budget would include selective expenditure cuts.

The speech was clearly directed at the International Monetary Fund, from whom Nigeria hopes to borrow some \$2bn, and the World Bank, which is talking about a structural adjustment programme.



President Shagari

Britain conciliatory on Hong Kong's future

BY ALAIN CASS, ASIA EDITOR IN HONG KONG

BRITAIN IS expected to take a more conciliatory approach in today's talks in Peking on the future of Hong Kong. The move is seen as an effort to break a potentially damaging deadlock.

The British team, led by Sir Percy Cradock, Britain's Ambassador in Peking and adviser-designate to 10 Downing Street, is understood to have three objectives for the two-day talks:

● Establishing a "warmer" relationship after weeks of sustained attacks by Peking against Britain for taking a "colonialist" attitude in the negotiations.

This is understood to

include a particular effort to persuade China that Britain regards its role in Hong Kong merely as a "caretaker." The term "caretaker" is not, it is emphasised, meant to imply that Britain is willing to concede sovereignty to China.

It does, however, suggest a greater degree of flexibility in the British position.

● The start of substantive negotiations as soon as possible. In the four rounds so far, the two sides have apparently confined themselves to stating their positions and are not, as one observer put it, "on the same wavelength."

The British team is expected to renew its efforts

to persuade China to set aside the thorny issue of sovereignty, at least for the time being, and concentrate on the more important issues of administration for Hong Kong after 1997.

The new British approach appears to have been carefully prepared as part of a wider strategy. This includes the measures at the weekend in the territory to support the ailing Hong Kong dollar.

These measures, centred around the pegging of note issues at Hong Kong \$7.80 to its U.S. counterpart, yesterday appeared to be having the desired effect.

The dollar ended the day

on the foreign exchange markets at 7.86-7.88 to the U.S. dollar, slightly firmer than yesterday. The Hang Seng index also ended the day higher, after yesterday's increase, at 790.04, a rise of 18.45.

The measures to stabilise the dollar are regarded as psychologically important because China has persistently accused Britain of letting the currency slide uncontrollably to strengthen the British bargaining position.

After the last two-day talks in September, the currency dropped to a record low of HK\$9.52 to the U.S. dollar.

UN looks at N. Korean charges

SEOUL—The United Nations Command (UNC) said yesterday it was investigating two charges by North Korea that South Korea had fired on and infiltrated its territory.

The official North Korean news agency (KCNA) monitored in Tokyo, said yesterday that South Korean soldiers "fired many precision shots from automatic weapons" at a North Korean post in the eastern sector of the demilitarised zone dividing the peninsula.

The agency also said two South Korean high-speed boats infiltrated into northern territorial waters off Changan Cape on the West Coast just before dawn yesterday.

It termed the intrusion "a premeditated act designed to further

aggravate the situation." A UNC spokesman said both allegations were being investigated and the outcome of the probe probably would be known later today.

The UNC had denied a previous charge by North Korea last Friday that South Korean soldiers had entered the northern sector of the zone and opened fire on a post there.

The South Korean Defence Ministry yesterday denied further allegations that it was staging provocative war games, saying that a 20,000-man military exercise going on in and around Seoul was an annual routine operation.

Yesterday was "CBR" (Chemical, Biological and Nuclear Radioactive)

day in Seoul with guards wearing gas masks near designated buildings during a 20-minute air raid exercise.

As sirens wailed, the busy streets of this city of 8m people suddenly emptied of traffic, and disciplined citizens scurried to underground shelters and subway entrances.

Outside specially designated "target" buildings, civil defence workers armed with automatic weapons donned special anti-chemical warfare capes and gas masks and took up crouched positions as simulated "bombs" sent up clouds of red smoke.

Reuter

Fierce fighting reported
in Afghan provinces

ISLAMABAD—Major counter-insurgency operations involving Soviet troops and aircraft are currently underway in at least seven provinces in Afghanistan, but the worst fighting appears to be raging just north of Kabul, western diplomatic sources here said yesterday.

A key target has been the town of Istalef, reportedly 40 per cent destroyed after five days of continuous bombing, according to a report from Kabul.

"The smell of death from bodies in the rubble is apparent even at a distance," was how one traveller described the town of Shomali, 32 kilometres north of the capital.

Istalef, a major guerrilla stronghold, is undergoing some of the most savage bombing seen in Afghanistan since Soviet troops entered the country in late 1979.

They said refugees from the Shomali region and nearby Kariz-Mir area began arriving in Kabul last week and that hospitals are now crowded with Afghan civilians injured in the bombardments.

Aerial strikes by MIG jet fighters and helicopter gunships with ground support from tank cannon and heavy artillery fire reportedly began on October 12. Reports indicated that shelling is continuing. AP

Ivory Coast
austerity to
be stepped up

By Peter Blackburn in Abidjan

PRESIDENT Houphouët Boigny of the Ivory Coast is expected to announce measures to deal with the country's financial problems following his return to Abidjan after a five-month absence.

During a working vacation split between Switzerland and France, President Boigny made official visits to the U.S., Canada and the UK, and attended the Franco-African summit in Vitell.

The 78-year-old President announced that a meeting of the country's National Council would be held shortly. Several major decisions are likely to result including:

● Further economic austerity measures, such as cuts in higher education scholarships for study abroad, to reduce foreign exchange outflows.

● A government reshuffle and a reduction in the number of Ministers from the present 34.

● Steps to tackle the upsurge in crime, directly related to the economic recession.

Expatriates, especially the large French community, have expressed growing alarm at the increase in armed attacks.

Ivory Coast is facing continuing serious economic problems, more than two-and-a-half years after it began a three-year stabilisation programme with the backing of the International Monetary Fund.

Despite the programme, medium and long-term public debt is expected to reach \$7bn by the end of this year.

"The new company will have an estimated annual turnover of £80m., and will have about 11% of the UK corrugated case market."

Financial Times

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WORLD TRADE NEWS

Korea aims to oust Japan as world's leading shipbuilder

BY ANN CHARTERS IN SEOUL & ANDREW FISHER IN LONDON

SOUTH KOREA, the second shipbuilding nation after Japan, intends eventually to become the world leader, the head of one of Korea's biggest shipbuilding groups said yesterday. Mr. Hong In-Kie, president of Daewoo Shipbuilding and Heavy Machinery, said in London that Japan "is facing a new challenge to its shipbuilding industry. It is coming from the newly industrialising countries led by Korea, Taiwan, and Singapore."

He suggested that the advanced industrialised countries should leave such industries as shipbuilding to nations which were now building up their economies. Instead, they should concentrate on higher technology areas. "We shipbuilders in Korea look to advanced countries for the technologies that allow us to manufacture the kinds of vessels and structures that suit a growing shipbuilding nation."

Mr. Hong, in a blunt speech at a dinner of the International Maritime Industries Forum (IMIF), said, "In Korea, our aspirations include assuming a leadership role in the world's shipbuilding industry."

Western European shipbuilders, along with the U.S., prospered until the mid-1970s, Mr. Hong noted. "Those nations had been without competition for so long that they had become uncompetitive in shipbuilding."

His remarks come as state-owned British Shipbuilders is struggling to win new merchant orders and is laying off several thousand workers. The West German industry, too, is shedding numerous jobs in a bid for survival.

UK shipbuilders accounted in the late 1950s for 20 per cent of the world shipbuilding market. This has since fallen to under 3 per cent. The German share has fallen similarly.

"Japan's very rapid, very lean shipbuilding industry" arose to compete with Europe and the U.S., said Mr. Hong. "They offered the market place what the older shipbuilders could not: high-quality vessels, at economic prices, in time."

Japan, he added, was now occupying the seat it once acquired through being competitive. "And it will lose that seat before long — naturally."

Cuba hopes for more French credits

By David Marsh in Paris

FRENCH AND CUBAN ministers in Paris have opened bilateral trade talks from which Havana hopes to win assurances from France of a further FF200m (\$25m) to FF300m in commercial credits.

The opening session of the negotiations, the latest in a regular round between the two sides, was presided over by Mme Edith Cresson, the French Foreign Trade Minister, and Sr Hector Rodriguez Llopart, the Cuban Economic Co-operation Minister.

France, which is Cuba's leading foreign supplier, ahead of important traditional clients such as Japan and Spain, is trying to improve its political links with Havana.

However, a fortnight ago the Cuban authorities expelled two French journalists accused of making contact with Sr Ricardo Bofill, a Cuban dissident who has since been consigned to a psychiatric hospital. This incident has cast a shadow over this week's talks.

Paul Cheeseright reports on the search for ways to improve trade

The EEC decides to test an idea

THE MAJOR economic powers are searching for ideas to further liberalise the international trading system.

The U.S., the EEC, Japan, and Canada all feel that the search has intrinsic merit, but they want to be seen to be doing something about repeated international declarations in favour of the liberal trading system.

It is in this context that the EEC is suggesting that Tokyo Round tariff cuts be speeded up when an industrialised

charge of external relations, is authorised to explore the possibilities of a deal — he has no negotiating mandate and no formal EEC policy on accelerated tariff cuts has been adopted.

But speeding up the Tokyo Round cuts is probably something the industrial powers could agree without too much pain. They have made half of their planned cuts anyway.

The cuts come into effect in eight stages at the beginning of each year from 1990-97.

Japan has in fact made five cuts, and the others four. The EEC's cuts in 1985, 1986 and 1987 are conditional on its state of economic health, but if the European Commission has its way then this condition would be dropped in favour of the 2 per cent growth idea.

During the Tokyo Round, the tariff cuts were settled on a general formula with negotiations about exceptions. So although industrial tariffs are generally low anyway there are peaks — the U.S. tariff on woolen textiles or the Japanese confectinary tariff, for example.

Averaged out, the U.S. tariff on industrial goods will be 4.4 per cent after the Tokyo Round compared with 6.2 per cent before, while the EEC moves to 4.8 per cent from 6.6 per cent, Japan to 2.6 per cent from 5.2 per cent and Canada to 7.9 per cent from 12.7 per cent.

on industrial tariffs, covering products which in 1976 traded at an annual value of \$110bn. The Tokyo Round, then, involves cuts of around one-third and which made up 14 per cent of world trade.

These sorts of figures emphasise that while lowering tariffs ease trade, they do not now, except in isolated cases, stimulate it. The importance of tariffs as a deterrent to trade has waned with each successive tariff-cutting negotiation since

be applied in an emergency. The Gatt ministerial conference failed likewise.

In Geneva, now, discussions are continuing about safeguards and the view is emerging that tinkering with the existing Gatt provisions in Article 19 will not provide a sufficient hard legal framework which all will respect.

Discussions are also taking place more closely to define when a subsidy is illegal and when it is not. Although the Tokyo Round produced a subsidies code, last year's U.S.-EEC steel row pointed out the trouble which comes from differing interpretations.

Another round of talks is going on about agricultural trade which escapes many of the disciplines attached to industrial goods. This committee was born at the Gatt ministerial conference, but it will not be in a position to enter negotiation until next year.

Movement in any of these three areas, trade specialists point out, would be of more decisive importance in combatting protectionism than mere tariff cuts.

But the great challenge facing the trading powers in the next few years will probably not be that of stabilising the existing system but finding a way of fitting services trade into a framework of international discipline.

Round of talks is going on about agricultural trade

World War II The Tokyo Round was the seventh.

In isolation the EEC idea is, therefore, of limited significance. If, however, it acts as an impetus to concluding work started in the Tokyo Round or to pursuing schemes which emerged at the ministerial conference last November of the General Agreement on Tariffs and Trade, then its consequences could be far-reaching.

The Tokyo Round brought into greater prominence the non-tariff barriers to trade, but it failed to resolve disputes about the conditions under which import safeguards might



Mr. Tran Van Thuan

EEC shifts stance on trade in services

GENEVA—The European Community, after more than a year of hesitation, has begun actively to back multilateral efforts to bolster world trade in services, an EEC official said.

Mr. Tran Van Thuan, trade negotiator and chief of the EEC's Geneva delegation, said the move resulted from recent internal studies which showed for the first time that a third of the EEC's total trade activity involves service industries.

"We are convinced that we must have an international discipline if we want to secure and expand trade in services," Mr. Tran said.

In recent days, EEC trade officials in Geneva have met with officials from the U.S., Canada and several industrial developing nations to explain the Community's stance. Mr. Tran said. Previously, the EEC had maintained a more neutral posture on the issue, a controversial one in official trade circles and at times within the EEC itself.

Most developing nations have resisted U.S.-led attempts to have a service-sector trade code negotiated under the auspices of the General Agreement on Tariffs and Trade (Gatt), the framework governing world merchandise trade. They assert that Gatt-style guidelines on services trade would favour the interests of big industrial nations with highly developed service industries such as banking, insurance and engineering.

Because of this opposition and the EEC's reluctance to back the U.S. at a Gatt-sponsored trade ministers' meeting last year, the ministers approved a watered-down resolution calling on interested countries to study their service-sector trade and exchange findings before discussing in late 1984 if there should be a service trade code under the Gatt's auspices.

"The homework since the ministerial (meeting) has made us convinced that it is in our interests" to have guidelines on service-sector trade, Mr. Tran said. AP-DJ

Ecuador oil areas attract six bids

By Sarah Kendall in Quito

SIX BIDS have been put in for areas offered to foreign oil companies by the Ecuadorian State Petroleum Corporation, Cepe. Although Cepe had designated 11 areas for exploration and exploitation, the proposals cover just two offshore blocks of 400,000 hectares each and two Amazon blocks of 200,000 hectares.

However the interest shown by the transnationals is considered satisfactory by the Government, which changed oil legislation and drew up new risk contracts in order to attract foreign investment.

A proposal by BP and Clyde Petroleum, which has oil and industrial interests in Ecuador, has been discussed, but no offer was made. Ussao (with Hispanoil) bid for one Amazon block, and three offers were presented for the other — by Occidental, Hispanica (in a consortium with Idemitsu, Petrofina and Iona Oil), and Comoco (jointly with Husco Oil, Nomeco and Pledid). Belco made the only two offers for offshore areas, which have remained largely unexplored up to now.

Most of Ecuador's 240,000 barrels a day of crude production comes from the Cepe-Texaco fields of the northeastern Amazon.

THIRD-COUNTRY BUSINESS

Singapore credit agency set a hard task to keep up its income

BY CHRIS SHERWELL IN SINGAPORE

THE EXPORT Credit Corporation of Singapore (ECICS) will need to triple its current 4 per cent share of Singapore exports it covers in order to maintain income levels.

The agency revealed in August that it would no longer underwrite new risks for short-term third-country trade until the value of these policies stood in a 30:70 ratio with the value of policies underwritten concerning Singapore exports.

The action, which surprised policyholders and confirming houses, followed the disclosure that ECICS had paid claims in the first half of this year amounting to \$85.5m (\$45m). This was significantly higher than the \$88.3m paid out in the whole of 1982, which was the worst year since the agency was set up in 1976.

Although the deterioration was not unexpected in view of the world economic recession and international debt problems, it seems clear that, with the tightening of terms by such agencies as Britain's

Export Credits Guarantee Department, confirming houses looked abroad for third-country cover and ECICS was one of those prepared to step in.

The agency, which is half-owned by the government, eventually accepted risks which by this year produced a 60:40 ratio in favour of third-country trade, and the board decided to redress the imbalance.

According to an interview with ECICS officials published on Monday in a local Singapore newspaper, "the fact that third-country trade formed the majority of our business drew the board's attention to the fact that the company might have moved from its primary objective of promoting Singapore exports."

The officials, who were not named, acknowledged that "it might take some time" to triple the present 4 per cent coverage of local exports (excluding the oil business).

GEC to update Nigeria's microwave radio system

GEC Telecommunications of Britain has won a £13m contract to modernise a microwave radio communications system in Nigeria originally installed by GEC in 1970, our Trade Staff reports.

Equipment in 30 microwave radio stations will be replaced by the latest GEC solid-state equipment that is more reliable, uses less power and is cheaper to maintain.

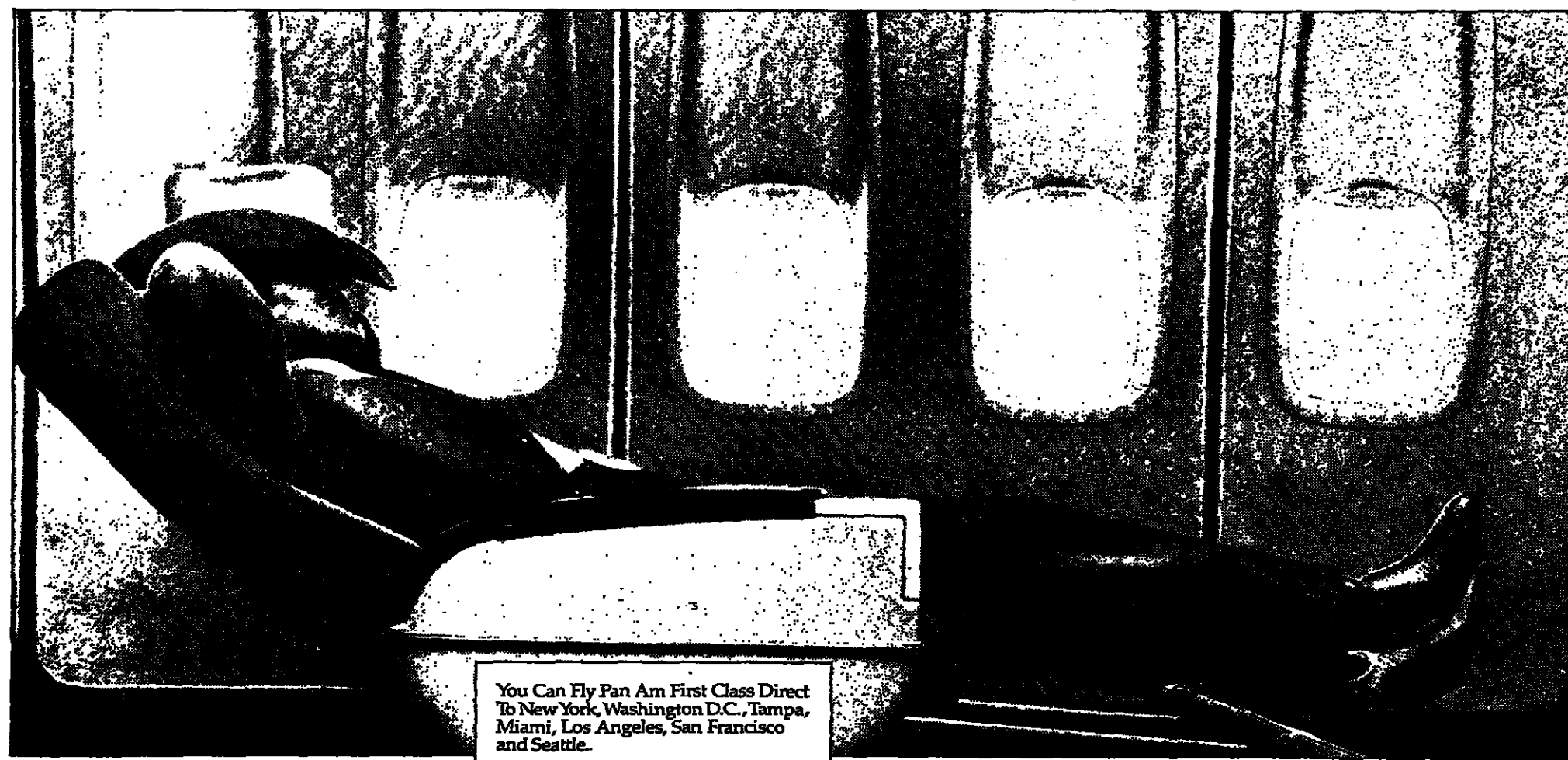
DC power plant with a standby battery supply will replace the existing unprotected AC equipment in 50 radio stations including those on the link

between Lagos and Kano.

The preliminary phase of the contract involves the maintenance and realignment of the 6 GHz "backbone" microwave link between the capital Lagos in the south and Kano in the north on the edge of the Sahara desert. This 1,000 km link also connects the important centres of Ibadan, Oshogbo, Ilorin, Katsina and Zaria.

The equipment will be made in the Coventry and Telford factories of the company's Transmission Division and delivery is scheduled for 1984.

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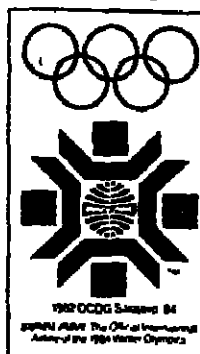
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UK NEWS

'Gamma' medical camera buy-out in Scotland

THE MANAGEMENTS of Scintag Berthold, the only producer in Britain of nuclear medicine "gamma" cameras, has bought out the stake of its Swiss parent company to go independent, writes Mark Meredith.

As part of a £750,000 investment by the venture capital section of 3i Ventures (formerly ICFC), the small, Scottish-based company, was able to buy the 70 per cent equity of Scintag Berthold of Zurich.

The newly-named company, Scintrox, is to use most of its invest-

ment to expand the sales overseas with a series of marketing deals involving companies in the U.S. and Europe.

It is also to increase production greatly for a market estimated at 500 cameras a year alone for the U.S. market, which accounts for over half of world demand.

Scintrox produces gamma cameras which record the presence of radio isotopes injected into a patient to produce a picture of a particular organ through computer enhancement.

This fast-developing sector of examining the internal organs include traditional X-rays, body scanners which build up pictures from a series of X-rays through computer compilation (ultra-sound which bounces signals off particular organs) and, the most recent development, nuclear magnetic resonance which measures the water distribution through a particular part of the body under examination. Scintrox, which is based at Livingston new town, west of Edinburgh, holds about half the UK market for nuclear medicine cameras, but faces intense competition from large producers such as Siemens, Philips and General Electric.

The UK market, however, only accounts for about 5 or 6 per cent of world demand for cameras.

Dr John Walker, industry manager at 3i Ventures, said that Scintrox had until now been unable to enter the U.S. market or fully exploit the European market.

A marketing deal has now been signed with Interad, a U.S. manu-

facturer of scanners, to market the Scottish-produced camera in the U.S.

The West German Kontron company is to distribute in Germany, Scandinavia and Italy. The buy-out is led by Mr Paul Woods, the company managing director, Mr Iain Stark, the marketing director, and a third director, Mr Colin McClure.

Following the buy-out, management has invested in computer equipment based on Data General to complete the camera system.

Liffe may start London stock futures contract

BY MARY ANN SIEGHART

A CONTRACT which will allow investors to hedge against movements in the stock market is likely to be introduced on the London International Financial Futures Exchange (Liffe) early next year.

It may be linked to the launch of a new 100-share index compiled jointly by the Stock Exchange and the Futures Exchange.

The board of Liffe has been considering four new contracts over the last few months, based on a stock index, a Eurobond index, a U.S. Treasury bond and a UK Government stock with a short maturity (short gilt).

It is expected to announce at the end of this month that the stock index and the U.S. Treasury bond

contracts are likely to be introduced next year. By Christmas, Liffe should have decided which contract will start trading first. The stock index is thought to be more popular.

Stock index futures contracts have been extremely successful in the U.S. since their introduction 18 months ago. They enable the investors either to gamble on which way the stock market will move or to neutralise the effect of price fluctuations on his holdings.

If someone buys a stock index futures contract, he is promising to deliver a fixed number of shares, or their equivalent value in cash, during a certain future month at a price fixed at the time the contract is made.

Peugeot introduces 205 'supermini'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT-TALBOT hopes to more than double sales of Peugeot-badged cars in Britain with the 205 "supermini" launched in the UK today.

But there is also the prospect of the 205 damaging sales of the Talbot Horizon, which will be sold alongside it in joint Peugeot-Talbot showrooms.

The Horizon is assembled at Talbot's Ryton, Coventry, plant, whereas the 205 will be imported from France.

To help give the Horizon some protection, Talbot today launches the "Series II" models with improved specification but prices held very close to those for the previous models.

In 1982, some 17,378 Horizons were sold in the UK, the majority of which were assembled at Ryton.

Last year, 19,638 Peugeots were registered in Britain and the French group expects to sell at least 25,000 of the 205 models in a full year to give them a 1.5 per cent share of total new car sales.

Peugeot-Talbot also hopes the 205 will help change the Peugeot image from rather staid to more sporty and stylish.

The 205 is a five-door, front-wheel-drive hatchback, which competes with the Austin Metro, Ford Fiesta, Renault RS and the Vauxhall Nova/Opel Corsa among other rivals.

It was launched in France in February, and, since then, Continental sales have built up very successfully so that output at the Mulhouse plant in Alsace has reached 950 a

day. "Overspill" production will be put into the Talbot plant at Poissy, near Paris, and Villaverde in Spain to take output up to 1,500 a day.

The 205 has raced to a 6.5 per cent share of the French car market but, apart from hitting Horizon sales, it has also cut deeply into registrations of the Talbot Samba.

In Britain, the 205 will be offered in six versions, including two with diesel engines. They are highly competitively priced compared with the opposition, from £3,895 "on the road" to £5,395.

The series II Horizons cost from £4,145 to £5,450, emphasising again the pressure they will be under from the 205.

Mr Tom King, making his first public appearance as Secretary of State for Employment, confidently predicted last night that for the first time since 1979 Britain would this year produce more than 1m cars.

At the annual dinner of the Society of Motor Manufacturers and Traders he suggested the motor industry had begun to fight back from decline - "at least the message has got through," he said.

Mr King recalled that the number of days lost in the motor industry because of strikes in 1982 was one third of those lost in the average for the previous 10 years. And in the first eight months of this year there was a further fall on the same period of 1982.

"It is a staggering thought that in the late 1970s on average a week and a half for every person in the industry was being lost each year through stoppages and now it is down to a day and a half."

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UK NEWS

Treasury chief named in Thatcher reshuffle

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MRS MARGARET THATCHER, Prime Minister, yesterday rounded off the Cabinet and ministerial changes made necessary by the resignation last week of Mr Cecil Parkinson, the Trade and Industry Secretary.

Mr John Moore, Economic Secretary to the Treasury, has been promoted to succeed Mr Nicholas Ridley as Treasury Financial Secretary, one of the highest-ranking ministerial posts outside the Cabinet. Mr Moore is widely regarded as the closest lieutenant of Mr Nigel Lawson, the Chancellor of the Exchequer, in his campaign to privatise the nationalised industries.

As Financial Secretary to the Treasury, Mr Moore will have a special interest in taxation matters and overseas finance, including the EEC budget.

Mr Ian Stewart, previously parliamentary under secretary in charge of procurement at the Ministry of Defence, takes over from Mr Moore as Economic Secretary to the Treasury. His successor is Mr John Lee, MP for Pendle.

Mrs Thatcher took the opportunity of this reshuffle to announce the promotion of two loyal junior ministers: Mr John Selwyn Gummer, who replaced Mr Parkinson as Tory party chairman last month, is promoted from parliamentary under secretary to minister of state at the Department of Employment; while Mrs Linda Chalker is similarly promoted at the Department of Transport.

The last two promotions, which involve a salary rise from £25,460 to £30,410 but no obviously significant increase in responsibility, are likely

to come under attack from the Labour Party opposition at Westminster.

It was emphasised by the Prime Minister's office yesterday that the Department of Transport had taken on extra responsibilities after the merger of the Departments of Trade and Industry, and these would involve Mrs Chalker.

Mr Gummer's promotion was linked to his role as liaison between the Government and the Tory party.

It was also pointed out that while he will retain his responsibility in Parliament for trade union reform in the area of secret balloting, strikes and leadership elections, he will play no part in the politically sensitive moves to change the basis of the political levy on trade union members.

Whitehall rejects warship design

By Bridget Bloom, Defence Correspondent

THE BRITISH Government has rejected a controversial new frigate design and has confirmed instead the Royal Navy's decision to order at least eight new warships of a traditional design over the next few years.

The long-standing controversy over future warship design was brought to an end yesterday when the Ministry of Defence said that the S90, a "short fat" ship designed by Thornycroft Giles Associates, a small private company, was "fundamentally unsuited to the Navy's requirements for its new generation of anti-submarine frigates."

A statement from Mr Ian Stewart, undersecretary of defence procurement (who was yesterday appointed economic secretary to the Treasury) said that the S90 was incapable of achieving the low noise levels required in modern anti-submarine warfare. "Exhaustive analysis" within the MoD and by independent experts had also shown that the S90 lacked sufficient space and did not meet requirements on speed, endurance, sea-keeping and damaged stability, the statement said.

Mr Stewart confirmed that the Navy's new frigate will be the Type 23, a 3000 tonne warship which is currently costing at some £100m compared to a 1981 estimate of around £70m.

The first order will be placed with Yarrow Shipbuilders, as subsidiary of British Shipbuilders, next year. A first "batch" of some eight to 12 frigates is to be ordered at the rate of three a year from 1986, officials said yesterday.

The MoD's decision to reject the S90 is not unexpected. The concept found few protagonists in the Navy, among the Ministry's own ship designers or within the state-owned BS. The MoD agreed to assess the design only at the insistence of ministers, particularly of Mr Geoffrey Pattie, the minister responsible for defence equipment procurement, who recently handed responsibility for the studies to Mr Stewart.

It is not clear whether the concept of the short fat ship now has a future in Britain.

Man to watch in promotion stakes

MR JOHN MOORE, who was promoted yesterday to Treasury Financial Secretary has for some time been singled out in the Conservative Party as a man to watch. His move is seen as a prelude to a rapid rise within the party.

Mr Moore is regarded as having the mind of a lawyer - quick to master a difficult brief and

argue his case - rather than that of a profound thinker. But his charm, good looks and clean-cut sporting image have provoked a degree of mistrust among those he has defeated in argument. "He is like an exotic cocktail," one MP said yesterday. "It tastes and looks very pleasant, and you end up with a terrible hangover the next day."

When Mr Lawson was promoted to Chancellor of the Exchequer after the June general election, Mr Moore went with him to become Economic Secretary to the Treasury. In this post, he was involved in much of the haggling between Mr Lawson and the new Energy Secretary, Mr Peter Walker, over further privatisation of oil assets.

Dismissal threat to engineers in British Telecom dispute

BY BRIAN GROOM, LABOUR STAFF

BRITISH TELECOM (BT) has raised the temperature in the privatisation dispute with the Post Office Engineering Union (POEU) by issuing letters threatening possible dismissal to some of the union's members.

The union has been involved in a campaign of industrial disruption in protest at plans to sell off BT as part of the Government's plans for privatising state industries.

The POEU will discuss the situation with BT this morning. The letters have been sent to some telephone engineers who signed under-

takings to work as directed after being suspended last week but have since gone against their undertakings. They have been given until Friday to reconsider.

It is believed that they are people who refused to cross picket lines when brought in by BT from the outskirts of London last week, and have since refused a second time.

BT's policy of bringing workers by bus from the outskirts to central London exchanges affected by the strike continued yesterday. It said 100 of the 140 it brought in had worked as requested, but the POEU

continues to insist that only a few non-union members have crossed its picket lines.

The POEU has stepped up the dispute by pulling out up to 40 engineers who maintain international telex links, in support of 1,500 colleagues locked out of international telephone exchanges for more than a week after imposing a work-to-rule.

The High Court action by Mercury, the private telephone network, against industrial action by the POEU continued yesterday and will go on today.

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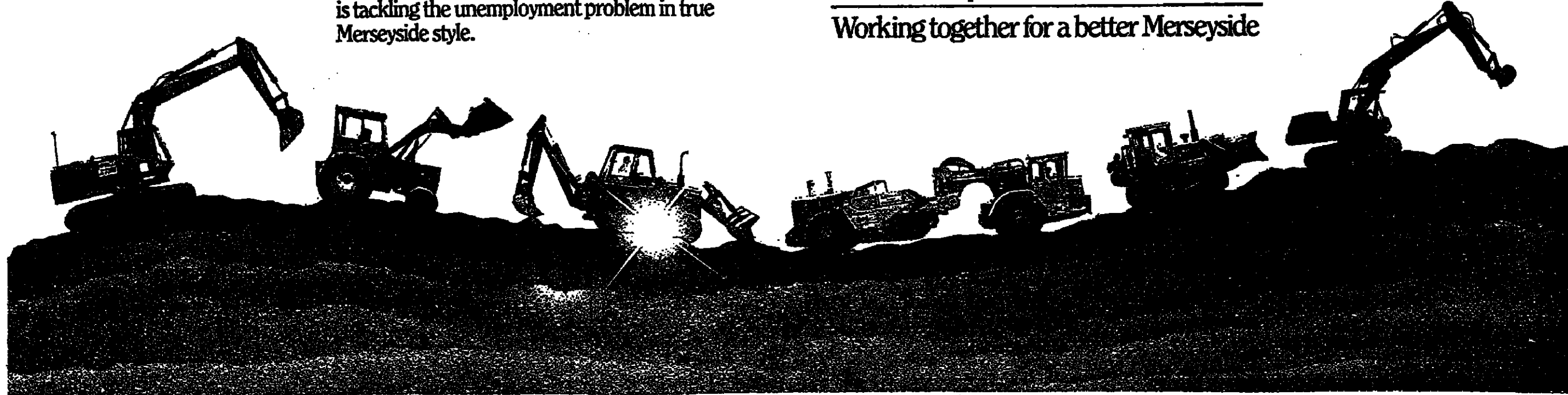
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JAPAN AIR LINES

Colt plant to make Anglo-Japanese commercial vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ANGLO-JAPANESE commercial vehicles are to be produced at a new facility in Plymouth, Devon, by the Colt Car Company, which is 49 per cent owned by Mitsubishi of Japan. Initially, the new organisation will produce 8 and 12-seater minibuses based on the Mitsubishi L200 van.

Mr Lloyd Hutchings, general manager of the organisation, called Mitsubishi Commercial Vehicles (MCV), said that UK glass, tyres, seating, radios, rear window wash-wipe equipment and the trim to be made at the Plymouth facility would take the European content of the vehicles - measured by ex-works value - to 34 per cent for the 8-seater and to 40 per cent for the 12-seater.

He insisted that the project, therefore, represented "end production" of vehicles, not simply conversion.

The European content is by no means enough for Colt to escape the restrictions of the agreement between the British and Japanese motor industries which limits the Japanese share of the light com-

mercial market to under 11 per cent.

However, MCV is working on other light commercials, which will be based on Mitsubishi chassis-cabs.

In this way it could possibly meet the Department of Trade and Industry's criteria of what is necessary before Anglo-Japanese vehicles can escape the import restrictions.

The Department insists that vehicles from the outset should have a 60 per cent local (that is European) content, rising as quickly as possible to 80 per cent by ex-works value.

Mr Hutchings said the mini-bus project would be fully on stream by January, and would provide 12 new jobs. MCV would have the capacity to produce 60 a month.

It was not yet possible to judge demand for the mini-buses in Britain but they are to be displayed at Motorfair, which opens in London tomorrow as part of the test-marketing process.

So far Colt, which last year sold 8,840 Mitsubishi cars has invested £75,000 on equipment for the Plymouth project.

Convention centre plan

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BRITAIN WILL have its first purpose-built convention centre under a £120m plan announced yesterday by Birmingham City Council.

The centre, scheduled to open in 1988, will create 2,000 jobs, and generate revenue of nearly £30m a year, a statement from the council said.

The city is confident of receiving Government approval to borrow the

£11m public sector contribution for the project. A key factor will be the amount of financial support from the Government towards the debt charges. Without aid, rates could rise by an estimated seven pence in the pound, as against only 1.5 pence with support.

A 50-acre site has been earmarked for the development, which is likely to run a £25m annual operating deficit.

UK NEWS

Liverpool prepares bid for free port status

FINANCIAL TIMES REPORTER

LIVERPOOL'S FORMAL application for free port status will go to the Government within the next two weeks.

Its proposal is to use spare warehousing capacity and land within 600 acres of existing dockland - including the Royal Seaforth container terminal and the meat, grain and timber facilities.

Worldwide there are about 350 free ports - most of them in the developing world - but none so far in Britain. They are essentially duty-free areas in which goods which arrive do not become subject to duty until they leave.

Advantages for an importer are that large quantities of goods can be held for distribution at times of

peak demand. In this way working capital can be freed for other uses.

Liverpool's case is that since it already has all the facilities needed, it could offer companies maximum return for a minimum investment. It has well-established sea routes and national motorway and rail networks run right up to the dock gates.

The dock company is promising immediate availability of nearly 200,000 sq ft of warehouse space. It also says that other under-used dockside sheds could be converted into factories.

Mr Michael Anderson, dock company finance director, said yesterday: "The ports hinterland is one of the largest areas available to sup-

port any free port enterprise. Liverpool has a powerful case. The physical features are all available for fast take-off at low cost."

The application will be one of about 50 that the Government has to choose from, but it is also likely to be one of the strongest, not only because it could start working immediately but because of the plight of the Merseyside economy.

In the Isle of Man yesterday Mr Percy Radcliffe, chairman of the island airport's executive council, said major companies had shown considerable interest in establishing a free port. He said a publicity campaign would be drawing attention to the proposed project internationally.

Falmouth plan hits opposition

FINANCIAL TIMES REPORTER

PLANS FOR a controversial £70m container port at Falmouth in Cornwall have been re-submitted to the Government, which said last year that it wanted further evidence of the project's viability.

Falmouth Container Terminal, the company promoting the scheme, envisages an initial annual traffic of some 200,000 containers and employment of around 1,500 people.

In September last year, Mr David Howell, then Transport Secretary, said FCT would have to show firm commitments from potential user shipping lines. The scheme should not divert traffic from other UK ports, which already have surplus capacity for containers.

All major port developments in Britain need Government approval under the 1964 Harbours Act. Mr Michael Tragett, managing director of FCT, said he hoped the Department of Transport would approve the application within a month.

Opposition to the project has come from large UK ports such as London, Liverpool, Southampton and Bristol, as well as dockland MPs, and a local action group of environmentalists.

But it has been strongly supported by local authorities including Cornwall County Council, Falmouth Town Council, and Falmouth Harbour Commissioners. Mr Tragett said that the first container ships could be using the new port, if it received the go-ahead, sometime in early 1986.

The proposed container terminal which would involve reclamation of 80 acres, would be managed by the port of Felixstowe.

Mr Tragett's view is that Falmouth, right at Britain's south-western tip, is ideally placed to become a major distribution base for the next generation of container ships, such as the huge ones being built in South Korea by United States Lines.

Both U.S. Lines and Evergreen, which uses Felixstowe, plan round-the-world container ship services. Under the scheme, large container loads would be dropped at Falmouth and redistributed.

Consumers tackle British Rail

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

BRITISH RAIL (BR) must pay more attention to its customers, the Central Transport Consultative Committee, the official consumer watchdog on railway matters, said in a report yesterday.

The committee's list of complaints, presented to Mr David Mitchell, parliamentary Under-Secretary of State for Transport, included: poor punctuality (in June, for example only 69 per cent of all trains arrived on time); bad man-

ners and unhelpfulness on the part of some BR staff; poor station environment; and increased overcrowding on some trains.

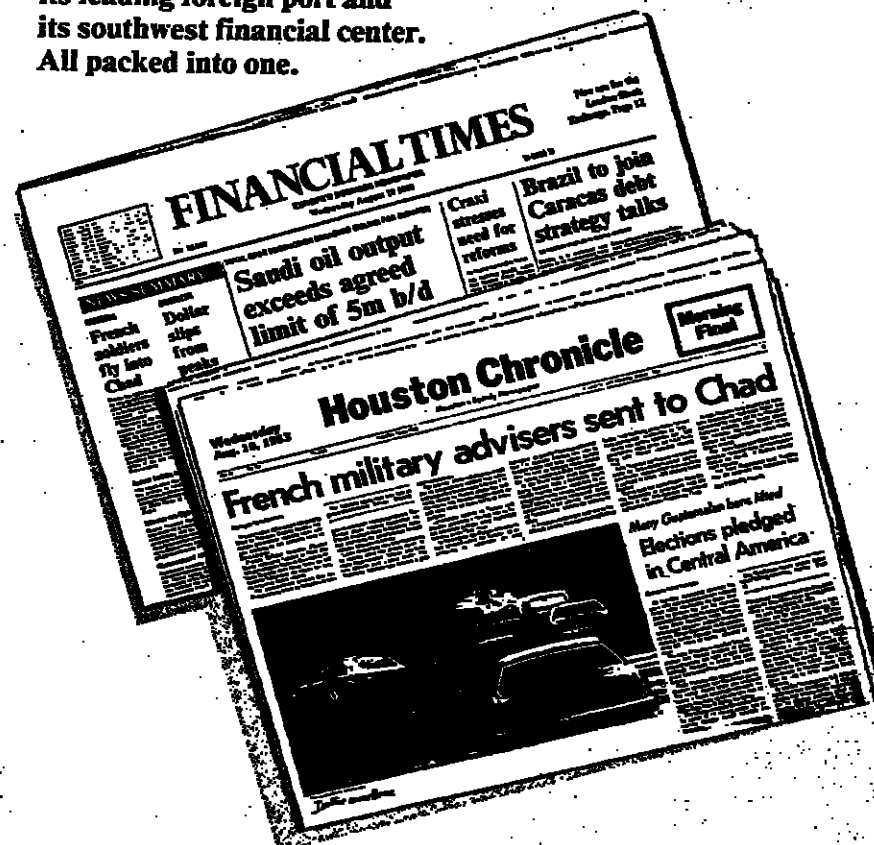
Mr Bob Reid, BR chairman, is also telling his own staff to do more for the customer. In the current edition of Railways, Mr Reid says: "We do not do enough as individuals to sell the railway, to make our customers welcome and willing to travel by rail again."

In spite of the complaints, the

committee thinks BR is going in the right direction. It supports the latest corporate plan from railways which forecasts reduced Government support over the next five years, increased productivity and cuts in labour. It calls the plan "a positive programme for both passengers and taxpayers which should result in increased revenue, lower costs, increased investment, lower support levels and improvement in the quality of service."

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UK NEWS

Teradyne to invest £10m on UK plant

By Jason Crisp

TERADYNE, one of the leading U.S. suppliers of automatic test equipment, is to manufacture for the European telecommunications industry in the UK.

The company is investing more than £10m in a plant in Brecknell, Berkshire, and will employ over 200 people within three years. The UK plant will make an automated test system which checks the subscriber lines on a telephone exchange.

Teradyne has already sold two such systems to British Telecom. It has also sold this system to the Hull Telephone authority, and to the French and Belgian telephone authorities.

The system automatically checks each subscriber telephone at night. Teradyne claims it should spot most faults before a customer knows there is something wrong with the telephone. It also identifies the fault.

About half the new jobs created in the UK operation will be for graduate engineers and professionals. Teradyne is also establishing a small research and development activity in the UK. This will develop the computer software for the equipment to be linked to all the different types of exchanges in Europe.

The system is already used on 10m lines in the U.S. The potential market in Europe is, theoretically, limited only by the number of exchange lines in use.

Further fall in world merchant tonnage laid up

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE VOLUME of world merchant tonnage laid up for lack of business fell again in August, but only on the tanker side. Dry cargo lay-ups rose slightly as freight rates eased.

Latest figures from the General Council of British Shipping (GCBS) showed a world laid-up total of 80.3m deadweight tons at the end of August after the third successive monthly drop from the May 31 peak of 100.5m dwt.

The drop between July and August was 5.7m dwt, leaving 13 per cent of world tonnage idle against 14 per cent the month before. But the number of idle ships was 14 higher at 1,721.

The bulk of the lay-up total was still accounted for by the long-depressed tanker sector. But August saw a further fall in idle tanker ton-

nage of 6.3m dwt to 64m dwt (19 per cent of the world tanker fleet).

In the dry cargo fleet, however, there was a slight rise of 800,000 dwt to 26.3m dwt in lay-ups. In both sectors, the supply of tonnage still far outweighs demand. But tanker owners have been slightly encouraged recently by a modest uptick in rates, especially from the Gulf.

The UK fleet had 17 per cent of its tonnage laid up at end-August, comprising 32 tankers of 4.2m dwt (23 per cent of UK tanker tonnage) and 48 dry cargo ships of 1m dwt (8 per cent).

Among other major fleets, Liberia - the main flag of convenience country - had 22 per cent of tonnage laid up, Greece 29 per cent, Panama (also a flag of convenience) 7 per cent, and Norway 27 per cent.

Funds for oil search

BY MAURICE SAMUELSON

BRITAIN IS to raise its aid to Bangladesh's oil and gas industry by providing up to £7m for onshore seismic surveys in the country's south-west region.

Horizon Exploration, a leading British geophysical company, will provide two survey teams under a contract signed with the British Government's Overseas Development Administration.

The outcome of the first year's work will determine whether to continue with a full three-year survey costing £7m. The money comes out of bilateral British aid to Bangladesh, which has been worth some £200m since that country's independence in 1971.

Imports of oil and petroleum products at present consume four-fifths of Bangladesh's export earnings.

FT COMMERCIAL LAW REPORTS

Arbitration clause is not a 'condition'

SKIPS A/S NORDHEIM v SYRIAN PETROLEUM CO AND ANOTHER

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Oliver and Lord Justice Watkins): October 5 1983

A PROVISION in a bill of lading incorporating "all conditions" of a charterparty does not suffice to incorporate an arbitration clause, but is limited to conditions under which cargo is loaded, stowed, kept, cared for, carried and discharged.

The Court of Appeal so held when dismissing an appeal by a consignee of cargo, Petrofina SA, second defendant to an action by shipowner, Skips A/S Nordheim, from Mr Justice Hobhouse's refusal to grant a stay of proceedings (FT, December 12 1982). The first defendant to the action, Syrian Oil Company, was not party to the appeal.

SIR JOHN DONALDSON, Master of the Rolls, said that Petrofina held a bill of lading relating to crude oil delivered to it in West Germany. Skips was the owner of the Varena in which the oil was carried. Skips claimed demurrage under the bill of lading contract. Petrofina sought a stay of the action on the ground that the contract incorporated an arbitration clause from the charterparty.

Petrofina said it had put the charterparty in funds to pay the demurrage, but they went into liquidation before paying Skips. Petrofina could avoid paying twice if Skips was obliged to arbitrate, because it could then pray in aid a time bar.

The issue was whether the wording of the bill of lading was apt to incorporate the charterparty arbitration clause into the bill of lading contract.

The bill of lading provided that "all conditions and exceptions" of

the charterparty "are deemed to be incorporated in bill of lading."

Mr Justice Hobhouse, declining to follow Mr Justice Staughton in *Astro Valiente* 1982 1 WLR 1090, concluded that when the bill of lading referred to "conditions," it referred only to conditions to be performed by Petrofina on arrival of the vessel. He said "on no view is an arbitration clause such a condition."

The contrary view, urged by Petrofina, was that "conditions" in the context was wide enough to incorporate all the provisions of the charterparty, albeit some would thereafter have to be rejected as inappropriate.

Petrofina submitted that clause 44 of the charterparty justified all necessary modifications to make the arbitration clause appropriate, since it required that all bills of lading issued pursuant to the charterparty should "incorporate by reference all terms and conditions of this charter including... the arbitration clause."

The bill of lading contract was the only contract to which Skips and Petrofina were both parties. What Skips agreed with the charterers in the charterparty was wholly irrelevant, save in so far as the whole or part of the agreement had become part of the bill of lading.

Such incorporation could not be achieved by agreement between Skips and the charterers, but only by agreement between the parties to the bill of lading contract. The operative words of incorporation must be found in the bill of lading itself.

Objective words of incorporation might be precise or general, narrow or wide. What must be sought was incorporation, not notice of the

existence of terms of another contract which were not incorporated.

In *Astro Valiente* Mr Justice Staughton said: "If one looks at the cases, it appears to depend on whether the words of incorporation used are conditions, terms, clauses or exceptions. Such nice distinctions are not wholly appropriate to commercial relationships and should if possible be avoided. So too should the interpretation of an ordinary English word, conditions, in a sense different from that which it naturally bears."

One had considerable sympathy with that view, but this was a corner of the law where commercial customers attached supreme importance to certainty. Where particular phrases had established meanings and effect it was not the policy of the law to change them if, in the absence of precedent, there would be a case for so doing.

"Conditions" in the context of incorporating charterparty provisions into bills of lading had been the subject of considerable judicial consideration and the conclusions reached, unless distinguishable, fully supported Mr Justice Hobhouse's decision.

In *Thomas v Portsea* 1912 AC 1 the bill of lading referred to the consignee "paying freight... with other conditions as per charterparty." Earlier decisions had established that a reference to "other conditions" coupled with the obligation to pay freight only incorporated such of the charterparty conditions as were to be performed by the consignee.

Lord Loreburn LC in *Thomas*, at page 6, with Lord Atkinson's concurrence, held that all that was in-

corporated were provisions governing shipment, carriage or delivery. Lord Goff at page 8 held that "terms and conditions" only incorporated matters relating to "carriage, discharge and delivery of the cargo."

There was no trace in those judgments of the decision being dependent on construing "conditions" *ejusdem generis* with "freight." Accordingly, *Thomas v Portsea* was clear authority for the true construction of "condition" *simpliciter*. It had not been doubted or modified by later authority and was fatal to the present appeal.

Mr Justice Staughton wished "conditions" to receive its ordinary interpretation, but it was a chamberlain-like word which took its meaning from its surroundings.

In the context of incorporating into a bill of lading contract provisions which found their birth in a charterparty, the ordinary English meaning was "the conditions under which the goods are loaded, stowed, kept, cared for, carried and discharged." An arbitration clause was not in that category.

The arbitration clause was never incorporated. The appeal should be dismissed.

LORD JUSTICE OLIVER, agreeing, said that no doubt every holder of a bill of lading knew that there was a charterparty in the background, whether referred to or not, but that was no reason why in construing his contract he should be concerned with terms negotiated separately between charterer and shipowner.

There seemed to be lurking in Petrofina's argument a suggestion that because the bill of lading com-

ported reference to the charterparty to ascertain the contents of some of its clauses, the whole charterparty must be referred to to ascertain the meanings which the parties to the charterparty attached to those clauses.

The purpose of referential incorporation was not generally to incorporate the intentions of the parties to the contract whose clauses were incorporated, but to incorporate the clauses themselves in order to avoid the necessity of writing them out verbatim.

The meaning and effect of the incorporated clause had to be determined as a matter of construction of the contract into which it was incorporated.

Standing alone an incorporation of the "conditions" of the charterparty did not suffice to incorporate an arbitration clause into the bill of lading.

The authorities clearly showed that the use of general incorporating words - whether "terms" or "conditions" - in a bill of lading were and had for years been normally construed in the restrictive way for which Skips contended.

LORD JUSTICE WATKINS, also agreeing, said that on a robust common sense construction of the charterparty and bill of lading, in the absence of authority, the bill of lading would seem to incorporate the arbitration clause. Alas, the weight of authority was opposed to that view.

The appeal was dismissed. For Petrofina: Anthony Evans QC and Jeffrey Grider (Ince & Co). For Skips: David Johnson QC and Timothy Young (Snelair Roche & Temperley).

By Rachel Davies
Barrister

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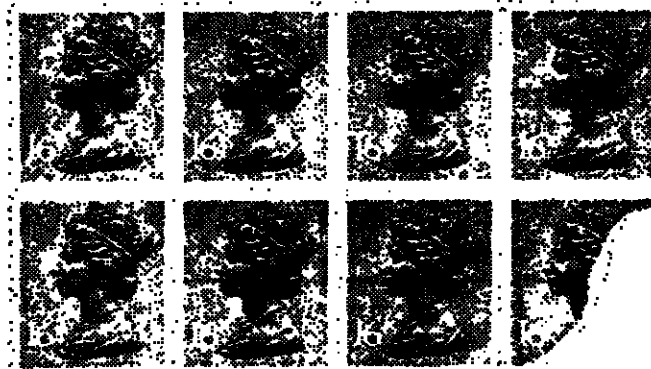
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ENERGY REVIEW

How closure of the Gulf would threaten oil supplies

By Richard Johns, Energy Correspondent

TEN YEARS ago this week the Arab oil producers imposed their oil embargo on the West in support of Egypt and Syria at a critical point in their conflict with Israel. The embargo cuts had by December 1973 removed 4.5m barrels a day from the market, or 10 per cent of the non-Communist world's supplies, sending spot prices soaring and laying the basis for a price increase of 266 per cent by the Organisation of Petroleum Exporting Countries for its Arab Light reference crude—from \$3.51 a barrel to \$9.22.

Now, a decade later, the world is faced with a threat by Iran to close the Strait of Hormuz,

shortage of 5.53m b/d, would have driven prices up to between \$65 and \$130 a barrel. That compares to a price of \$29 now. A similar halt to the flow in 1980, which would have meant a deficit of 7.1-7.7m b/d, could have meant a \$300 a barrel rate. Senator Carl Levin, who commissioned the study, described it as "the most comprehensive and sobering to date" of U.S. reliance on Gulf oil.

At the very least the report was a timely counter to the complacency bred by the oil surplus of the past two years. It was also a reminder that America is likely to become more and more dependent on oil imports in future, particularly if its economic recovery is maintained.

The potential gravity of the closure of the Strait has been underlined by the movement of U.S. naval units to the Arabian Sea in line with President Carter's commitment in 1980—confirmed by the present Administration—to ensure freedom of navigation through the vital waterway.

at the entrance to the Gulf, to all petroleum traffic if Iraq deploys French-supplied Super Etendard aircraft, armed with Exocet missiles, against its oil installations or vessels lifting oil from Kharg Island. If it did so, the volume of oil cut off from the Gulf, on the basis of the recent rate of supplies flowing from it, would be 8.5-9m b/d, or 17-20 per cent of the non-Communist world's supplies.

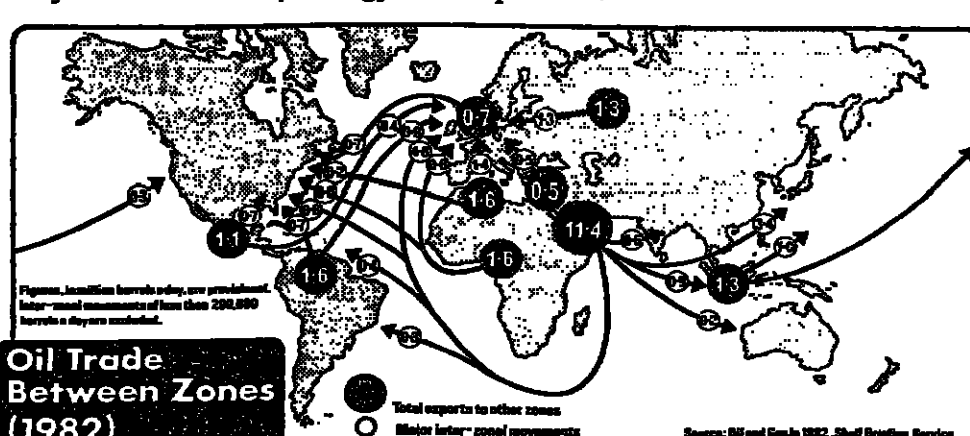
Just how serious such a dislocation of supplies could be was highlighted by a U.S. congressional study released a month ago. It said that closure of the Strait of Hormuz as a result of military action would "lead to a sharp increase in the price of oil supplies." A full 12 months' stoppage in 1982, involving a

present scenario, is an appraisal by investment bankers Kidder, Peabody that a net shortfall of 3.8m b/d—which could result from a one month closure of the Strait—would lead to a rise to \$40 per barrel—a very much lower percentage increase than happened in 1973-74 and 1979-80. The bank's experts express what is probably a general consensus when they say that "any event of the magnitude of an attempted closure of the Strait of Hormuz would lead to an 'internationalisation' of the Iran-Iraq war, finally bringing both parties to the bargaining table."

If Iran had the will and capacity, in the face of military intervention, to maintain a blockade or deter international tanker traffic for a longer period the outlook would be sombre. Only about half of the volume of oil recently passing through the waterway could be supplied from other sources or by other routes.

In practice, it would be a matter of many months before worldwide stocks were reduced to a dangerously low level. The more immediate danger would be of a strong upward surge in prices on the spot or free market, which accounts for 20-30 per cent of trade. Spot transactions also affect the pricing of a significant proportion of crude and oil products sold under contract.

If the shortage was prolonged for two or three months there Israeli-occupied Lebanon, can



would be a growing temptation for producers to escalate official prices in line with spot rates.

Some of the shortfall could be made good immediately by Saudi Arabia through its Trans-Peninsula pipeline from the oil fields in the Eastern Province to the Red Sea terminal at Yanbu. The capacity of the 750-mile, 48-inch diameter pipeline, commissioned in the summer of last year, is 1.85m b/d. Throughput, which was as low as 400,000 b/d earlier this year, is now believed to be running at 600,000 b/d. Thus, 1.2m b/d of Saudi output could be maintained.

Tapline, the 500,000 b/d facility from the Eastern Province to Zahran, near Sidon, in

be ruled out as an alternative route. Used only to transport small volumes for the Lebanese market and damaged during the Israeli invasion, its owners—the U.S. partners in the Arabian American Oil Company—are completely closing down Tapline installations.

Theoretically, supplies from Iraq could be boosted by up to 1.4m b/d over a period of several months if—and the proviso is a major one—the pipeline system to the terminals at Bannias, in Syria, and Tripoli, Lebanon, were to be reactivated.

Syria, which supports Iran and is opposed to the Iraqi Government, stopped transit rights in March 1982. Current diplomatic efforts by Saudi Arabia

and Kuwait seem unlikely to bring about a re-opening.

For the past year and a half Iraqi crude exports have been limited to a pipeline to Ceyhan, on Turkey's southeast Mediterranean coast—a facility vulnerable to Iranian-inspired sabotage. This pipeline's capacity has recently been raised from 650,000 b/d to 750,000 b/d but the expansion of throughput by another 300-400,000 b/d will not be completed until April 1984.

In addition, Iraq is believed to have been exporting 50-60,000 b/d of refined products by truck recently.

Other members of Opec could make the biggest contribution to making up any shortfall from the Gulf. Opec members' output has been restrained by the

organisation's quota system, in force since the spring, which has fixed an overall ceiling for members of 17.5m b/d. Non-Gulf states would therefore need no encouragement to increase supplies. But the potential from this source amounts to little more than 3m b/d (see table).

Mexico—not an Opec member—has restrained its exports to 1.5m b/d to help buttress Opec's output-sharing agreement. It could not increase them by more than 300,000 b/d and its extra availability could be as little as 100,000 b/d. It is widely agreed that the Communist bloc would only be able to lift its net exports, currently running at around 1.5m b/d by 100,000 b/d or so.

All these alternative sources of oil supply would, in a matter of weeks rather than days, be able to make up perhaps 50 per cent of lost supplies—but there would be some dislocation because of sudden changes in the pattern of distribution. Something like half of supplies from the Gulf go to the Far East, Asia and Australasia. The U.S. receives only a small proportion of its requirements from the region.

There are doubts as to how quickly the U.S. strategic petroleum reserve, which has been amassed for use in emergencies and now totals over 350m barrels, could be mobilised. Some of the technical difficulties in extracting it from storage are reported to have been over-

come this summer.

The possibility of saving oil—by switching to other fuels—seems to apply mainly to the U.S., where natural gas and coal could make up for as much as 500,000 b/d.

As for stocks, despite a marked rundown from the high point reached in 1981, those on land in states belonging to the Organisation for Economic Co-operation and Development are still at a healthy level. Those on land in the industrialised countries were reckoned by the IEA in its last assessment to be the equivalent of 83 days forward consumption. That is a fall from the 439 tons, or 103 days' requirements, at the same point last year but exceeds the 90 days' supply required under IEA rules for individual members—with the exception of the UK which, because of its oil resources, is only required to keep 75 days' supply.

Over the four years since the last oil crisis and price escalation, one marked change has been an increase in the proportion of stocks under control of OECD governments. Their inventories have risen in that period from the equivalent of four days consumption to 15 days. At an estimated 75 days supply, those of the oil industry are only marginally higher than the 74 days held at the beginning of October 1979. Another 25 days supply are believed to be at sea currently.

POTENTIAL FOR INCREASED SUPPLIES

	July output (m b/d of oil)	Capacity output	Potential increase
Venezuela	1.7	2.4	0.7
Nigeria	1.1	2.0	0.9
Libya	1.3	1.6	0.3
Indonesia	0.7	1.1	0.4
Total OPEC	4.8	7.1	2.3
Mexico	2.7	3.0	0.3
Other (Eastern bloc)	n/a	n/a	0.1
Total potential			2.7

Source: Wood, Mackenzie

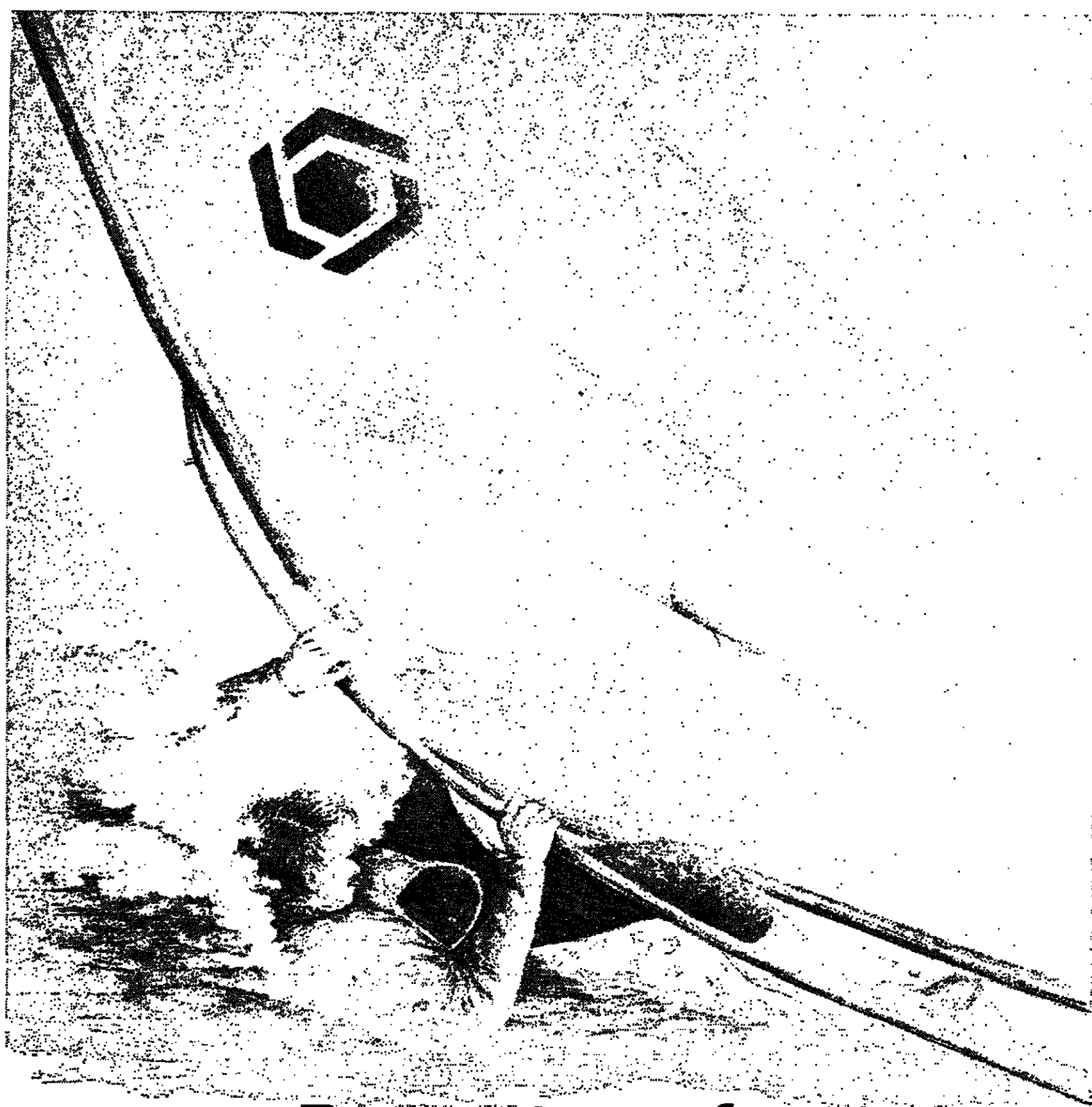
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AFTER NEARLY 10 years of meteoric growth, Canada's Mitel has run into all the problems that can affect small, dynamic and entrepreneurial companies as they grow larger and demand more professional management. As one analyst put it: "Mitel is an absolute classic case of how a fast-growing company runs into problems... by not building an infrastructure, by not controlling costs, having no planning... and so on."

For most of its life Mitel, the telecommunications company which has built its success on a family of small private exchange PABXs, has been lively, undisciplined and fast-moving, employing bright technically oriented people. Factories have been springing up all over the world in anticipation of a sustained and dramatic growth. For instance, Mitel has recently built a 300,000 square foot factory in Gwent, Wales, which many companies wonder how it will fill. It also manufactures in several plants in the U.S. and Canada, and in Puerto Rico, Mexico, Ireland, Hong Kong and New Zealand.

Outsiders had been warning the company for several years that Mitel needed to introduce more professional management. But the company's very rapid growth concealed a number of problems—until they became so acute that they could no longer be ignored.

The problems which have emerged include damaging delays in a major new product, the ending of a major relationship with IBM, the closing of a plant in New York, and the company's first-ever losses in the first half of the current financial year.

"The jolt came at the end of the last financial year (February 1983). We realised we had to change the way in which we did things. We are moving from being an entrepreneurial company to one which is professionally managed."

"It means a greater use of forecasting, planning and budgets, and a much more careful look at how we spend money on research and development," says Don Gibbs, who was appointed chief operating officer early this year (Terry Matthews and Mike Cowpland who founded the company are now less involved in day-to-day control).

The problematical SX2000—the long-delayed new large digital exchange—is a good illustration of the changes at Mitel. According to Gibbs the product was not being properly specified. New ideas—particularly for the software—were forever being introduced. It meant the product would become more complex and not

How Mitel is managing to survive

The Canadian telecommunications company has hit troubled times. Jason Crisp reports on its future plans

get built. "Nobody stood up and said 'No you can't have that because we don't have time,'" he says.

Mitel now says that the SX2000 will be available in limited numbers this month and next with a restricted amount of software. Full production with a full specification, begins in the spring with deliveries at the beginning of April. Britain's ICL will be one of the first companies to get the SX2000. It will be distributing the exchange in the UK after it has received technical approval from British Telecom.

The new management regime at Mitel has also taken a much closer look at other ventures. The review led to a postponement of manufacturing in France because margins in that country were far too low. It also led to the closure of the Burlington, Vermont, semiconductor plant because the extra capacity was not needed; and it hastened the end of Skyswitch, which was to take the company into the growth satellite communications business, because Mitel could see more profitable ways of using that investment.

(Skyswitch was a joint effort with the U.S. company Scientific-Atlanta which now has a close relationship with Britain's Plessey, a competitor of Mitel.)

Other management changes include the establishment of profit centres in Canada, the U.S., Western Europe in the UK, and Pacific countries. (Mitel has received type approval for its SX-20 small PABX from Nippon Telephone and Telegraph and a C53m Japanese order from a subsidiary of Pioneer.)

Mitel, meanwhile, has partially spun-off its small products division into a new company, which will sell the SX2, a very small "exchange" for use in homes and small businesses. Finally staff who were not per-

forming have been sacked. "We hired tremendous numbers of people and the screening process had tended to slip," says Gibbs.

But the fundamental question remains: has Mitel done enough to control its costs? Gregory Richards, an analyst at Morgan Stanley, thinks not: "It has only taken the first steps in bringing the company under control. Mitel's gross margins must be improved and its overhead expenses brought back into line—in the first quarter of this year administration accounted for 30 per cent of revenue."

The market is also getting tougher for Mitel. Just over half of Mitel's sales in fiscal 1983 were in the U.S. where competition has been getting increasingly fierce for PABXs. The company is now predicting a 40 per cent growth in its U.S. business. But tougher competition is almost certainly going to affect adversely its margins, although Mitel has recently put up its prices in the U.S.

The delay in producing the SX2000 has enabled companies like Rolm and Northern Telecom to establish themselves as leading vendors of this type of equipment. Terry Matthews, first and foremost an extraordinary salesman for Mitel and its products, is unabashed: "The core company is as strong as ever and our strategy is as strong as hell. We have a line of products coming out which will frighten our competitors around the world... they are dynamite."

Matthews also argues that the company has spent a large amount on research and development, the results of which will only begin to bear fruit next year. The company's major investment in new plants around the world, moreover, means it can make large in-

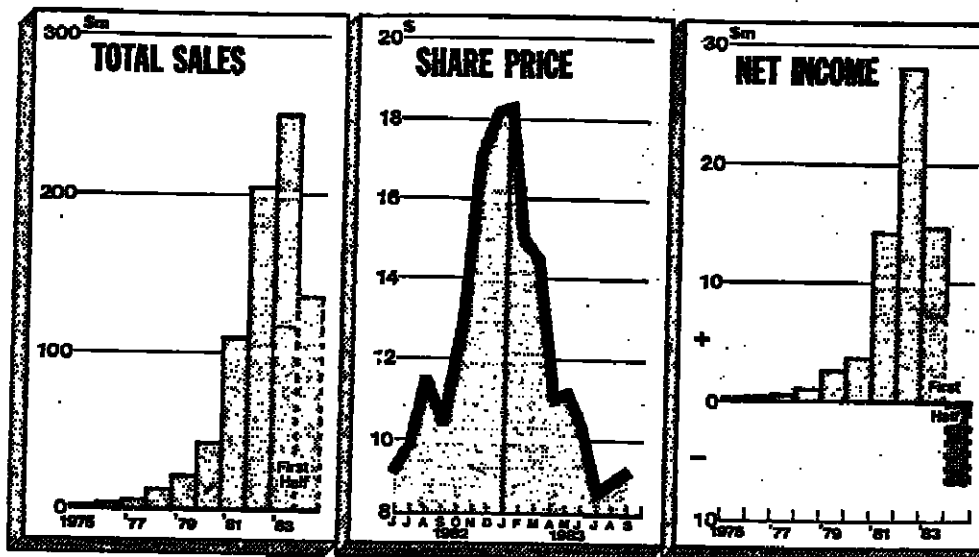
creases in production with only a small rise in fixed costs. Mitel's current overcapacity is such that it could reach sales of C\$1bn without having to build another plant.

Mitel acknowledges it will never again achieve the dramatic growth rates of the past, but is currently looking for an increase in sales of 35 per cent per annum. Some of this will be achieved in the U.S. but the dramatic growth, says Gibbs, will be in Europe, particularly West Germany and Italy.

The company also expects to start increasing growth with sales of the SX2000 exchange. But particular emphasis is being placed on selling the peripheral, like intelligent terminals, which can be attached to the exchange. Mitel is well placed to do this because its technology allows relatively large quantities of data to be transmitted along ordinary telephone wires.

The recent setbacks appear to have done nothing to stem the bubbling enthusiasm the Mitel management has about the company's prospects. Terry Matthews now predicts the company's turnover will reach C\$1bn by 1987. Not everyone is convinced. The immediate question which still hangs over Mitel is whether it will at last be able to deliver the SX2000. The share price failed to rise after Mitel had tried to infect U.S. analysts with its enthusiasm at a meeting at the end of last month.

Mitel's misfortunes have been enjoyed by the more conservative parts of the telecommunications industry, which found Mitel insufferably cocky. Mitel, however, has always been exceptionally ambitious and in spite of the setbacks remains as irrepressibly bullish and enthusiastic as ever.



Up and down with IBM

MITEL has come a long way since it began life in Ontario, Canada under the deceptive title of Mike and Terry's Lawnmowers. After a false start in electric lawnmowers Mitel has grown in ten years to become one of the world's leading suppliers of office communications equipment.

The company, founded by two British expatriates Mike Cowpland and Terry Matthews, was until recently one of the hotter growth stocks in the market. For nine of its ten years Mitel regularly doubled turnover, profits and staff with its very successful exchanges based on its own advanced semiconductor technology. But for the last year Mitel has been in trouble, culminating in the announcement of its first-ever losses in the first two quarters of the current financial year.

The drama began last July when Mitel made a terse 65-word joint-statement with IBM. It declared that Mitel and IBM, the world's largest computer manufacturer, were to develop a new family of telephone-based products for IBM. As a U.S. magazine commented at the time: "Never in the history of the electronics industry, perhaps, have so few paragraphs produced so much confusion."

Speculation on the significance of the deal was enormous. But it seemed likely that IBM was to use Mitel technology as a quick route into advanced telecommunications, having failed to develop a satisfactory range of products internally. The link represented a major

step in the convergence of computer and telecommunications technologies.

While nobody outside the companies knew much about the details it seemed clear that IBM was giving Mitel's technology its considerable blessing. It was also potentially a massive distributor of Mitel's products.

But if that deal with IBM marked a high point in Mitel's meteoric career it did not take long for it to be toppled. Throughout most of 1983 the news from Mitel has been unremittingly bad:

• The development of Mitel's new generation of digital PABXs—the SX2000—ran into serious difficulties. This is a key product for Mitel. It is Mitel's first digital and first large exchange taking it into a new and important section of the market. This was also the crucial technology which had attracted IBM because of its application in office automation. The SX2000 is now over a year late, and still a major drain on development finance.

BUSINESS PROBLEMS BY CHRISTOPHER LORENZ

Computerised accounts

Do you know what would be the legal position if an account (bank statement, invoice) was considered in error, and the firm producing it could not prove that their computer had not (or could not) be interfered with from outside?

What matters in law is the actual state of account between the parties. It is open to a party to show that an account is wrong whether the account is prepared by a computer or otherwise; and a full examination of all proper credits and debits should give the true picture. Even with the use of computers the fact remains that the accuracy of an account depends on the correctness of the programming of the computer, and that can be challenged.

Taxation and an angel

IF I become an "angel" supporting a West End musical or play—what are the tax considerations? Do I get any reliefs similar to those offered under Business Expansion Schemes?

If you should make a profit, it will probably be taxed as investment income (under case VI of schedule D). If you should make a loss, you may well find you get no tax relief (unless you have case VI income from other sources in fact).

The following is taken from Hansard for March 1 1983: "Mr Arnold asked the Chancellor of the Exchequer whether section 176 of the Income and Corporation Taxes Act 1970 has ever been applied to losses on theatrical productions. Mr Ridley: Yes, I can confirm that section 176 may apply to such losses. Whether relief is due will depend on the particular facts of a case."

Estate agent and deposit

The estate agent for rentals (private company) which was holding my tenant's refundable deposit on my behalf, has gone into voluntary liquidation, with no assets except 4/5th of the cash deposits it was holding as a trustee between the landlords and tenants. My questions are: 1—Am I right to consider

these deposits as trust funds and as such not available for creditors and not even available for liquidation expenses?

2—Could the 1/5th already spent by the director out of the trust funds, be traced from the recipients?

3—How long can the liquidators delay distribution of the remaining trust funds, to the rightful owners, as it seems advantageous for them to hold on to the cash and receive the interest?

4—Are the only two directors (also shareholders of all shares) of the company, liable to imprisonment, under the Trustee Act and Estate Agents Act, for using the trust funds?

5—As the tenant considers the estate agent as my agent, can he look to me to make good any shortage out of the liquidation?

6—Would I be entitled to receive the full cost of damages to my property from the tenant, when he vacates the premises, if he has not received his money back by then?

7—Assuming that the deposits were in fact held in trust for you, they would not form part of the general assets of the company.

8—Yes, provided the ordinary rules applicable in tracing cases are satisfied.

9—In the case of funds which the liquidator accepts as not being part of the general assets there should be no need to withhold them pending completion of the winding up, but prudent liquidators might seek an indemnity, as to the costs attributable to the distribution of the funds in question before releasing them.

10—No. But if it can be shown that there has been theft of the funds a prosecution under the appropriate section(s) of the Theft Act would be appropriate.

11—If the estate agent can be shown to have held the deposits as your agent (as you suggest is the case) a tenant could sue you for his deposit or such part of it as might be due after allowing for any items which you would have been entitled to deduct from that deposit.

12—You would be entitled to recover from the tenant any damages properly recoverable under the contract of tenancy, but would have to give credit for the amount of the deposit of that tenant.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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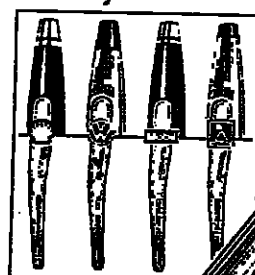
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THE ARTS

Television/Chris Dunkley

If it's Omnibus it must be autumn

The past week has felt considerably more like the start of a new season than did the official opening of the autumn schedules in September. What with such brand new series as *By The Sword Divided*, *Jane Eyre*, *Sweet 16*, and *Hotline* on BBC1, *Photo Assignment* on BBC2, *Hardcastle And McCormick* on ITV, and *The Arabs* and *Karl Marx* on Channel 4, plus new batches of *Omnibus*, *The South Bank Show* and *Rumpole Of The Bailey* all opening within a few days.

In particular the return of the two arts series proves that only now is the autumn really with us. Long ago viewers recognised the unshakable belief within television that in the summer painters stop painting, writers don't write, and the theatres go dark and that it is only when the evenings draw in that these odd people get back to work. Thus, as cuckoos herald the spring and swallows herald the summer, the re-appearance of *Omnibus* and *The South Bank Show* proves that autumn is truly here.

The two series reopened with programmes which contrasted their mildly contrasting approaches. For *Omnibus* Richard Baker travelled to Postiano where we saw him chatting in friendly way to Franco Zeffirelli about his forthcoming film of *La Traviata*. Baker did not mention that some people might feel the new film looked like a long television commercial, but there was never much hope that the programme would face up squarely to the main criticism: that all Zeffirelli's films look like the work of a superb set designer promoted beyond his abilities.

The South Bank Show also opened with a profile, but of an English artist—John Piper—and although it was billed as "a tribute" it was more rigorous in getting the artist to respond to criticism. Piper himself, much given to navy or black skies, revealed that King George VI remarked how "Mr Piper's been awfully unlucky with the weather, the sort of weather which Piper seems immune. The programme was also better at putting his work into context.

Clearly one of Melvyn Bragg's objects as editor of *The South Bank Show* is to interview and show the work of the leading exponents of various art forms who may not be with us all that much longer. This alone might make his programmes more interesting to posterity than the Zeffirelli type, but more significant now and for the future is his habit of encouraging his subjects to analyse their own work. It is perhaps easier to watch and listen to Piper working with sketchpad and watercolours than to Zeffirelli working in his studio. But in his interviews *The South Bank*



Lucy Aston (left) and Sharon Mughan in "By the Sword Divided". BBC 1's new historical saga

Show tends nowadays to push considerably harder than *Omnibus* which seems content to stay at the entertainment end of arts programming, leaving any sharper approaches to *Arena*.

Of the week's new drama much the most promising (given that *Rumpole* is a known quantity held in high esteem) was BBC1's saga of the English civil war *By The Sword Divided*. It will take a couple more episodes to be sure whether the series creator John Hawkesworth, producer Brian Spiby, and director Henry Herbert were right to go for a dialogue style only just this side of "Ode's bodkins". It did not intrude quite enough to kill the suspension of disbelief in episode 1 but "Faith! It's what he wants to be, isn't it?" and "Three of the clock" and "Let us ride into the woods while they prattle" is inevitably noticeable.

The signs are, however, that when we are better able to see it as a whole the series will look like a piece of craftsmanship as Hawkesworth's *Upstairs Downstairs*. Already the locations, sets, costumes and properties are impressive (given the difficulties of adapting landscapes for a 1980 drama—losing all the TV serials and so on—imagine the impossibility of doing the same for 1640) and the historical scene setting has so far been masterfully unobtrusive.

Without so much as the click of a camera, the series has been painstakingly reminded of the ecclesiastical courts, the

past five years British sit-coms have stuck so slavishly to the feminist conventions of tabling-turning that you could only be original today by not having a silly little wimp of a man and not having a woman who is bigger, brighter, and bossier.

The novelty of the week was *Hotline*, a live phone-in programme about solving problems (a dance partner needed, holiday snaps sent to the wrong family etc) which it seems is modelled on a popular French series.

The trouble with an opening programme of this sort is that you clearly cannot afford to risk there being no response and so the "mystery object" which had supposedly been residing in Gloria Hummford's drawers "for years and was produced at the start was obviously identified at the end by the arrival in the studio of a young man with the object displayed on a live chicken's back. And the two ladies d'un certain age looking for dancing partners met by two men of the right age who just happened to get to the studio wearing nice suits and fresh haircuts to partner them. And somehow Chris Tarrant knew that the "chance" caller ringing about a gramophone-record-cigarrette-card possessed the ancient equipment to play it on, and so on and so on. Apart from the people looking for unidentified holiday snaps (who received no calls whatever) the whole gallantry was as phony as all get out.

We shall return to the new factual programmes such as *Arena* and *Karl Marx* at a later date.

I must correct the claim made in last week's column that BBC1's recent screening of *Gone With The Wind* was the "unpleasant". It seems that this was only the second and, what's more, the first to include the whole film in one evening. Perhaps it is just the length; it certainly felt like the unpenetrated green and it is rather appalling to find how many reduced to this the BBC is entitled to show it.

What I do not retract is the suggestion that this was a spoiling operation. The BBC finalises its schedule in reduced TV schedule is known thus the decision to put a repeat of *Gone With The Wind* up against the launch of the new ITV *Agatha Christie* series and Channel 4's *Orestia* was deliberate. Had the BBC risked reduced ratings for a new series of its own against the new ITV series that might have been regarded as healthy competition (if not a pity for the viewers) but throwing in a repeat of a Hollywood blockbuster has more to do with the attempt to contain ITV's ratings than with "offering a choice". It may also be significant that *Gone With The Wind* becomes available on videocassette later this month.

On the other hand, the town benefits, too, by this annual invasion of Bloomsbury, Grub Street and the sticks. I remember when Michael Foot, then newly appointed Labour Party leader, spent Friday evening lecturing on William Hazlitt and then on Saturday morning ploughed back his fee-plus on first editions of Byron at a local bookshop.

As usual, it was a week of high thinking and high drift. A great success in spite of one or two hiccups. A. J. P. Taylor, billed as one of the festival's stars, had to cancel his lecture on *History as Literature* because of illness, but A. L.

Rowse was signed up at the last minute. Cheltenham has always been strong on poetry, an overhang of J. Kavanagh's successful years as festival director. One of his triumphs was a programme some years ago when the Cotswold poet, Ivor Gurney, was pulled from obscurity, and an evening of Gurney's songs and

Geordie accent. In fairness to Mr. Chaplin, he did have a Gloucestershire man by his side to read Harvey's dialect poems. But the Harvey programme was only the prelude to a fascinating one about Wilfrid Owen. In this Peter Florence, a young actor, does a one-man play based on Owen's work aided only by an officer's

Alan Forrest reports on the highs and lows of a literature festival

poems was one of the festival's dark horses that paid off.

This year's revived Cotswold poet was F. W. Harvey, like Gurney a World War One soldier, whose poems have just been reprinted. He was a local solicitor, and something of a folk-figure—it's claimed that he wrote some of his poems in chalk by the dartboard of his local pub.

The Harvey session, however, was one of the hiccups. For some reason, it had been decided that it should be anchored by the Durham examiner, Sir David Gurney, but he was unable to attend, and the session was somewhat of a fiasco.

All in all, it was a successful first festival for Gordon Farson, the new director. It started with a party graced by Dame Peggy Ashcroft and a celebration of Samuel Pepys with 17th century music on the lute by Robert Spencer. John West-brook played Pepys and Jill Nott-Bower, Mrs Pepys.

There were with the lights low in the Town Hall bar listening to "Pirate Jenny" sung as Brecht intended it to be sung, and there's not much greater praise than that. The only thing I regretted was that in all this time Cheltenham hasn't established a real Festival Club where performances such as Ms. Holmes's can be given in the right atmosphere of relaxed late-night debauchery.

And so it went on. Other plans included Raymond Williams, a forum on Mass art and literature, Michael Hordern on Isaac Walton, a talk by the American feminist Selma James discovering a philosophical link between Mozart and Jane Austen.

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Moïse et Pharaon/Paris Opéra

Andrew Clark

For his first season at the Paris Opéra, Massimo Bogliacchino has devised an enterprising programme of works written or adapted for Paris by non-French composers—a theme that offers scope for the hybrid and the rare. Rossini's *Moïse et Pharaon*, which starts the series, is a case in point. It began life at Naples in 1818 as *Mosè in Egitto*, gained the famous end Sea prayer at its revival the following year, and was extensively reworked for Paris in 1827.

The recent recording conducted by Claudio Scimone (backed up by well-received performances at this year's Pesaro Festival) has brought the merits of the first version very much to the fore, but the current revival of the later score at the Palais Garnier puts Rossini's musical adaptation in an equally flattering light. The Paris version is longer and weightier in atmosphere and orchestration, its most distinctive characteristic being the way the composer tailored his material to the grander French operatic style of the day, and

between Moses and Pharaoh, their peoples and their gods, but there is an important subplot of "love versus duty" involving Moses' niece Anan and Pharaoh's son Aménophis. This brings a welcome note of human complication and musical lyricism, lightening the solemn Old Testament picture language without altogether removing the suggestion of dramatic orator.

Whatever the limitations of the subject matter, the music is clearly inspired. I cannot remember being so immediately captivated and impressed by the honesty, seriousness and sheer beauty of a Rossini score. There is some characteristically artful decoration in the duets—particularly for the soprano role of Anan—and there is the occasional glimpse of an excited string-based crescendo. Yet the heart of the score is its conjuring of an air of yearning and sadness, through its sensitive use of individual woodwind, the poignant writing for lower strings and the even matching of voices.

That these points should have emerged so directly is a tribute to the quality of musical preparation in this production, which included every scene except the ballet. The orchestral playing under Georges Prêtre was consistently good; the

chorus realised the size and dignity of the grand tableaux with clarity and confidence, and the cast was well chosen and balanced.

Samuel Ramey sang the title role with his customary intelligence and boldness. His diction and French accent are superb, and his well-produced voice has the right focus for this music (though his part is one of the least exposed). If he looked uninvolved, it was the fault of the production, which had him looking like a pious young curate.

In spite of her unintelligible French, Cecilia Gasdia justified her growing reputation with an accomplished portrayal of Anan, her mature timbre and comely stage presence belying her 22 years. Jean-Philippe Lafont's Pharaoh was aptly beefy in voice and appearance, and Keith Lewis's young tenor lent a gentle lyricism to the part of Aménophis, though there is a brittleness to the voice above a mezzo forte.

The standard was polished, rather than inspired. The exception was Shirley Verrett as Sinaïde, Pharaoh's consort. In a single burst of electrifying musical and visual characterisation at the end of Act II, she showed how a shaft of individual flair can pierce an atmosphere of dramatic gloom. This was Luca Ronconi's first

production in Paris, and it was a depressing affair—esoteric and pseudo-intellectual in its visual imagery, damp and lifeless in its use of the stage. His aim appears to have been to treat the work as a play within a play, viewing it through the cultural spectrum which gave it birth, drawing cross-references between biblical Egypt and the religious, architectural and musico-dramatic world of late 18th century Europe.

Whether or not you agree with this as a valid starting-point for a modern production of the opera—and I certainly do not—the result in this incarnation was cramped, confused, unintelligible. Ronconi imported some of his pet staging tricks—the sheep-dip stage door and wall-toed wings—that worked no better here than before. Sphinx designs rubbed shoulders with vestiges of Catholic piety, pall-bearing African slaves shared the stage with austere 18th century French Jews, while Pharaoh's high priest, complete with feathered crown, inhabited his own self-contained baroque organ gallery.

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seemed like straightforward vulgarity.

Anything so earthy would have been welcome in Henryk Szymanowski's violin concerto, which separated overtone from irony. His detachment had an anaesthetising effect on orchestra and conductor who were respectful rather than enthusiastically supportive. On a technical level Szymanowski's playing was remarkable for its technical virtuosity, but its articulation less commendable. It was equally remarkable for its total lack of warmth and spontaneity—an icy surface seemed to mask a glacial core.

And so it went on. Other plans included Raymond Williams, a forum on Mass art and literature, Michael Hordern on Isaac Walton, a talk by the American feminist Selma James discovering a philosophical link between Mozart and Jane Austen.

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Gardenia/Gate

Martin Hoyle

When Lydie upbraids her husband for letting her potplant wither ("Didn't you water the gardenia? Couldn't you water it?") we know that whatever the state of vegetable life in this post-Civil War utopian community in Nantucket, the symbols at least will prove hardy bloomers.

This first impression is unfair, for John Guare has written a serious play about the nature of idealism as a means to the clash between visionary and realist. Like *August: Osage County*, however, the rampant plant tends to get in the way.

The flagging Socialist commune of three men and a woman, married to one but attracted to another, is disrupted by the acquisition of a vast sum of "hot" money. The failed writer temporarily leaves his wife for Europe, the discontented misfit goes to law school; emotional tensions lead to murder.

The strong woman cracks up, an embittered failure (even, it transpires, at killing). Her husband finds contentment in prison and writes a potential masterpiece. Now politically ambitious, the law graduate panics at the prospect of scandal with the book's revelation of their communal life.

Their confrontation in the writer's cell (against the backdrop of the execution of a murderer, improbably known as "the Brighton mauler") illustrates the self-fulfilment in Guare's screenplay for *Atlantic City*. As the writer observes, "In all our dreaming, we never allowed for our petty squalid furies." But his wife finds life unbearable without the grandiose illusion: "You are empty," is her contemptuous reply.

Her shattered presence, however, succeeds in destroying his equality. "For the first time this is prison," is his bitter reaction to the loss of his comforting cocoon of self-absorption.

The couple are convincingly played by Blain Fairman and Lynn Webster, the latter an especially sensitive and authoritative performer. Mr Guare's dialogue sometimes sounds as if a college drama course had drummed into him the need for the steady clash of symbols; and a tiresome Irish jester played with the pace of a faltering snail is a definite mistake.

complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbot. (977 5370).

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (498 3008).

A Raisin in the Sun (Goodman): Season opens celebrating the 25th anniversary of Lorraine Hansberry's play that explores racial conflict when the black Younger family move to a white neighbourhood. Ends Oct 30. (443 3800).

The Importance of Being Earnest (Arena Stage): with Richard Bauer as Lady Bracknell, Tom Hewitt as Jack Worthing and Marilyn Caskey as Gwendolyn, the Arena Stage gets an embittered start to a season that will include two contemporary British plays, Simon Gray's *Quartermaine's Terms* and Caryl Churchill's *Cloud 9*, as well as Christopher Durang's *Beyond Therapy* and Chekhov's *Three Sisters*. Ends Nov 13. 8th & Maine SW (468 2800).

Troilus and Cressida (Folger): Treating Shakespeare's version of the Trojan War as satire, director John Neville-Andrew casts Craig Paul Wroe as Troilus, Greta Lambert as Cressida and John Wylie as Pandarus. (548 4000).

On Your Toes (Virginia): Gaiety Pantomime presents a genuine Russian secret leads an embittered cast to the realms of Rogers and Hart's 1936 smashup of Russian ballet tours,

their grief-wracked mother. (437 3866).

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comedy, like *Evita* and *Cats* before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale in a Café Parisienne, but the intimate moments borrowed direct from the film. (757 2628).

42nd Street (Majestic): An inimitable celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Scrooge* and *On the Beach* with the appropriately brassy and leggy hooding by a large chorus line. (977 0020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to luminous incorporation all the wild histrionics in between, down to the confrontation with his dying Jewish mother. (844 84

FINANCIAL TIMES

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Anglo-French attitudes

ANGLO-FRENCH differences in the European Community over the right way to solve the various aspects of the Brussels budgetary crisis have by now become all too familiar. No doubt their reiteration will be the centre-piece of this week's talks between Mrs Thatcher and President Mitterrand. But it will be a great pity if they merely pound away at the subjects which, until now, have divided them at the expense of others where they should be able to look for common interests. It will be an even greater pity if they confine themselves to specifically Community questions, to the exclusion of the broader political issues of peace and stability in a dangerously turbulent world.

That there will be some hard pounding is inevitable. Mrs Thatcher's government has consistently argued that there must be strict controls on Community farm spending as well as a durable solution to the British budgetary problem, before it will agree to any increase in size of the Community's revenue. No doubt the French government must hope that Mrs Thatcher will, in the end, compromise for the sake of an agreement, but having seen Mrs Thatcher in action on several previous occasions, President Mitterrand can scarcely expect any softening in the British position this week, so far in advance of the European summit which takes place in Athens in December.

The converse is also true. Mrs Thatcher must hope that the French government will, in the end, compromise for the sake of an enlargement of the Community's resources. But the British demand would impose a cost on most if not all of the other Community countries, and compromise is unlikely until we get closer to, or even past, the December deadline.

In that sense, the pounding could — or at least should — be a formality. The most useful function of this week's talks would be as an occasion for a constructive discussion of where the Community should be going after the current crisis has been resolved, as it must be. The dangers of disagreement leading to deadlock and breakdown can only be heightened if two of the major combatants fail to reach a shared understanding of the value and the opportunity for enhanced cooperation in the Community context in future.

Both countries have a major stake in the health of the Euro-

pean economy, and despite a protectionist reflex which still comes too naturally to the French, both governments know that there is no good alternative to the Community. The only question is whether it can be made to work better as a truly common market, and whether its instruments and institutions can more effectively serve the common interest of economic recovery and competitiveness.

London and Paris have both tabled proposals for strengthening the Community. In the end, there can be no substitute for detailed negotiation. The important thing, this week, is for the two leaders to search out the maximum areas of common perception and aspiration. If anything, common perceptions will be even more important in their approach to the major problems of the international scene, starting with East-West relations and arms control. Until now, they have each devoted energy to diffusing support for NATO's Euro-missile policy, but the time may be coming for a shift of emphasis. It seems virtually certain that there will be no early U.S.-Soviet agreement, and that the new missiles will start to be deployed in December. Once that happens, Britain and France will need to consider, and to coordinate, a more forthcoming approach to the broad issue of arms control negotiations, including the contribution that they can make to the process.

Dangerous frost

Mrs Thatcher has long been a stout supporter of the thrust of President Reagan's policies, and President Mitterrand has proved more Atlanticist than any of his Gaullist predecessors. Yet neither of them can welcome the dangerous frost that has overtaken East-West relations. The probability that Mr Reagan will seek, and may well secure, a second term, raises the question whether it is possible to do anything to calm the anti-Soviet rhetoric of the White House.

In this context, the choice of Mr Robert McFarlane as National Security Adviser may be a hopeful sign, for he has been a decade of experience in the foreign affairs field, is not an ideologue, and commands respect at the State Department. Whether these qualities can influence President Reagan's ingrained instincts is, perhaps, another matter.

Mozambique looks West

PRESIDENT Samora Machel of Mozambique arrives in London today on an official visit which underlines the desire of this avowedly Marxist state to prove its relations with the West. He is looking for closer economic ties, including aid, trade and investment. He hopes to reinforce diplomatic relations, which are good, if low key. And he is even seeking to establish some modest military co-operation, including training and equipment supply.

He is also hoping for greater sympathy and support from Europe for his country's plight in the front line of the conflict between Black Africa and South Africa — a conflict given a new twist just this week by the South African commando raid on a target in Maputo, the Mozambique capital.

Inevitably, interest in the visit has focused on the possibility that Mozambique is somehow moving away from the Soviet bloc, and modifying its Marxist stance, in favour of a rapprochement with the West. President Machel has made no secret of his interest in military assistance from countries like Britain, France and Portugal, in spite of having a friendship treaty with Moscow, which includes a defence pact.

He has said he wishes to join the Lomé Convention, although that would seem to clash with his desire to join Comecon. And he is seeking greater involvement of Western capital in key economic sectors like mining, oil exploration and manufacturing industry. Yet it would be wrong to exaggerate the extent of any ideological shift in Mozambique, or indeed to see President Machel's policies in such stark Cold War terms.

Since the trauma of independence in 1975, when the Frelimo guerrilla movement was thrust precipitately into power by the mass exodus of Portuguese settlers and administrators, the ruling party has been guided by a curious mixture of doctrinaire and pragmatic policies. In foreign relations in particular, President Machel has always proved one of the most flexible leaders of the so-called Front

Line States, playing a key role in promoting a settlement in Zimbabwe (by urging the nationalist movements to go along with it), and doing the same in the efforts to achieve a peaceful settlement in Namibia. He could never be classified as a rigid adherent of Soviet policies in Africa.

Domestic economic policies have proved more doctrinaire, yet in part that has been dictated by circumstances: the exodus of Portuguese companies forced the government to take over many sectors of trade and industry which might otherwise have been left alone. Mozambican officials have always made it clear that they were interested in joint ventures with Western capital, provided they did not conflict with their broader aims of equity and long-term development.

Fear of instability

The greatest discouragement of private investment in Mozambique is not so much the government ideology as the fear of instability in the region, which has compounded the lack of infrastructure and management capacity in the country. President Machel is convinced that South Africa is the major source of support for the Mozambique National Resistance, whose guerrillas have repeatedly sabotaged major installations, railways, roads and power lines. He certainly would like to see greater Western action to discourage the Pretoria government from supporting such activities. In return, he has ordered the African National Congress of South Africa to pull back its guerrillas from Maputo.

Britain must also be interested in promoting maximum stability in the region. Mozambique provides a vital communications route for a number of Anglophone African states, such as Zimbabwe and Malawi: it is those railway lines which have been sabotaged. To that extent, it is right to welcome President Machel's visit, and respond to his requests for aid, even for modest military training facilities.

PRESIDENT Ronald Reagan has now done everything possible to prepare his re-election campaign next year, except admit that he is actually going to run. For months now, he has acted like a man on the stump, swinging round the country and the capital in traditional campaign style, and he shows no sign of letting up.

In the past few days, he has paid a well publicised surprise visit to a World Series baseball game, announced that, thanks to his policies, Act One of an American "industrial renaissance" is under way and undertaken a limited but important reshuffle of his senior advisors that should give his team a somewhat less controversial pre-election profile.

On Monday, his 1,000 day in office, he went further than ever before in signalling his intention to seek another four years in the White House. Although he was not actually required to, he signed papers, setting up a Reagan-Bush campaign committee — allowing his supporters to start official fund-raising and other political activities — and left only a technical escape route if he finally decides to back out.

He still, in the words of his friend, Senator Paul Laxalt of Nevada, has some "wiggle" room. But his officials and his campaign organisers are now almost daily expressing complete conviction that he is running and deciding even to contemplate the thought that the Republicans might have to find another candidate.

There is still quite a powerful school of Washington political analysts which says that he will in the end drop out. The reasons, advanced singly or in combination, are that he will spend more time at his California ranch (they cite his initial reluctance to return to Washington after the Korean airliner was shot down); that an associated-looking Nancy Reagan is not well (strongly denied by the White House); that four more years are too much for a man who, at 72, is already the oldest President in U.S. history; and he has already achieved most of what he set out to do by fundamentally altering the country's economic and political structure.

Again, he might well want to run if he thought he seriously risked losing. The fact remains that if he pulls out now, it will be a political upset of mammoth proportions, and one that would risk throwing the Republicans into serious disarray.

As it is, with his instinct for showing he appears to be thoroughly enjoying keeping the country in suspense. Last week, word came out that he would finally announce his intentions in December, at the weekend, it was November, and then on Monday he seemed to suggest it might not be until January.

It would not be Mr Reagan's style to make a hurried announcement. A few days ago he again repeated that he will leave it to the last minute because if he says too early he will be a lame duck President; if he says yes, every one of his actions will be taken as politically motivated.



President Reagan (left) and two leading Democratic contenders: Mr Walter Mondale (centre) representing traditional liberal values, and Mr John Glenn (right), rightish-tinted centrist with "winner" image.

His top White House aides, however, are already talking about his 1984 campaign. They suggest that it is not going to be very much different in style or content from his successful assault on the Presidency in 1980, when he stressed American strength, individual freedom versus big government, and the virtues of supply side economics. Mr Edward Rollins, the new Reagan-Bush campaign director, insists that Mr Reagan has held on to his 1980 electoral base, in the process turning many anti-Carter votes into pro-Reagan ones.

If Reagan pulls out it will be a mammoth upset

It is true that, with economic recovery, his public approval rating has been steadily climbing, to as high as 59 per cent in one recent poll. "Performance rather than promises," is going to be one of his themes, a point he tried to underline at the weekend with a claim that the "quality of American life" and the country's confidence in its institutions were both at last on the way up.

But Mr Reagan has problems, and his advisors privately admit it. He is still vulnerable on the "fairness" issue — the contention that his policies favour the rich and hurt the poor — on which the Democrats campaigned fairly successfully in last November's mid-term elections. He has what is known as a "very hard negative" among blacks, women, hispanics, many Jews and unionised workers.

THE U.S. PRESIDENCY

Reagan: up and almost running

By Reginald Dale, U.S. Editor, in Washington



President Reagan (left) and two leading Democratic contenders: Mr Walter Mondale (centre) representing traditional liberal values, and Mr John Glenn (right), rightish-tinted centrist with "winner" image.

A combination of rapid increases in black voter registration and the female turnout could put him in jeopardy in the South, while continuing unemployment and regional economic stagnation could count heavily against him in the populous industrial North and North-East.

Mr Reagan is counting on the economic upturn to put much of this right. Unemployment (at 9.3 per cent) is slowly coming down, economic growth is humming away at what should be a rate of at least 6 per cent this year, and inflation is down to under 3 per cent. Gleefully, he has taken to noting — not quite correctly — that his opponents "don't call it Reaganomics anymore."

The key question is whether he can keep it up. He has already made it clear that he wants to go to the electorate as the man who saved the nation from "the worst economic mess in post-war history." If the recovery falters and interest rates, unemployment and inflation turn up again, he will be in trouble.

Some Democrats, however, believe that, even on the economy, he could be vulnerable. Nine per cent unemployment is still extremely high, and in a recent poll, nearly 60 per cent of the respondents said that they had detected no recovery or thought it would be temporary if there was one. He is bound to come under attack for his record \$200bn budget deficits, about which even his own advisors are sharply divided.

Yet while the conventional wisdom remains that the economy is going to be the major election issue, Mr Reagan's foreign and arms control policies are now also making an increasingly strong bid

for attention. So far he has been reasonably lucky — he has not had a major foreign policy success, but there has not been a serious war crisis.

All the same, there is a general feeling of nervousness both in Congress and among the public at large, partly as a result of Mr Reagan's high profile military policies and partly because of much greater awareness of the risks and realities of nuclear war. However strongly he denies that it will happen, the polls consistently show widespread fears that the U.S. will get dragged into a war in Central America or the Middle East — or even the Gulf — and possibly some kind of confrontation with the Soviet Union with which relations are at their lowest ebb for years.

Any of these problems could explode into major election issues, and Mr Reagan's aim in the coming year will be at least to contain them, if he can't resolve them. If he cannot have a "peace summit" with Mr Yuri Andropov, the Soviet leader, he will try at least to show that he tried as hard as he could to negotiate arms control agreements.

If there is no breakthrough in Central America or the Middle East, he will at the very least try to keep the level of conflict below that at which he might feel the need for highly unpopular direct U.S. military intervention. But what he really wants is a positive success. "We need," says one of his strategists, "a major victory somewhere to show we can manage foreign policy." Mr Reagan's April visit to China could perhaps supply at least part of the answer.

His third year — usually

regarded as crucial for a President's re-election prospects — has seen Mr Reagan trying to win broader bipartisan support for both his foreign and his domestic policies. He may have bitterly angered the Soviet Union with his rhetoric, but he has also risked the wrath of his right wing by declining to take tough reprisals for the shooting down of the Korean airliner and replacing the hard line Mr William Clark with the more pragmatic, though still conservative, Mr Robert McFarlane as National Security Adviser. He has paid unprecedented attention to the views of Con-

Plenty of time for Mr Mondale to stumble

gress in formulating his latest strategic arms reduction proposals — admittedly partly in an attempt to defuse opposition to his arms buildup. He has tried to build a bipartisan approach to Central America through his special Kissinger commission and he has compromised with Congress over his war-making authority in the Middle East.

On the home front, he has resorted to similar bipartisan compromises on funds for job creation and social security reform. Mr Clark is also now promising a bipartisan approach to replace the more aggressive policies of Mr James Watt, his predecessor at the Department of the Interior.

None of this is going to silence the opposition. In report on his first 1,000 days this week, Americans for Democratic Action, the group with

long liberal credentials, says that it continues to regard Mr Reagan's foreign policy as alarming, his arms control strategy as dangerously simplistic and his domestic policies as ill conceived and discriminatory. His military policies, the report says, "have put the entire nation at risk by failing to take necessary and reasonable steps to prevent nuclear war."

Such charges forebadow those that many Democrats will make in the months ahead. But the Democrats have not yet made up their minds whether they will mount the White House challenge by rallying behind a rightish-tinted centrist — whose main claim to fame is his role as national hero 20 years ago (Senator John Glenn of Ohio) — or a more traditional, professional liberal politician (former vice-president Walter Mondale).

For the moment, the Democratic contest is settling down into a race between these two men. The new "consensus" of the Democratic selection process, under which a large number of primaries and caucuses will be grouped closely together in early spring, will discourage late runs by outsiders and is generally thought to favour Mr Mondale with his superior party organisation. But there is still plenty of time for Mr Glenn to stumble. Mr Glenn to capitalise on his perceived image as a "winner" and other runners to complicate the picture.

Mr Jesse Jackson, the black activist, has still to decide whether to enter the lists, potentially drawing black and some white liberal support away from Mr Mondale. Some White House strategists most fear Mr Glenn as a candidate rather than Mr Reagan's image, celebrity with a good military reputation and some kind of professed vision of the future. But Mr Glenn, a dull and wooden public performer, has yet to define this very clearly.

Six months ago, Mr Reagan was widely expected in Washington to be virtually assured of victory if he ran again. Now the continuing political and economic uncertainties are beginning to make the contest look much closer.

Where he finally steps down, the Republicans would probably rally to Mr Bush, but many would do so with grave misgivings and there would be a serious risk of a major clash between the party's moderate and right wingers, who regard Mr Bush as a "wet" liberal. Senators Howard Baker of Tennessee and Robert Dole of Kansas would be waiting in the wings, but they would have precious little time to mount effective campaigns.

While Mr Bush is a hardworking campaigner, he lacks the by now familiar, easy-going charm of Mr Reagan — still his main appeal to many voters. For the Republicans, Mr Reagan remains by far the best candidate, and the party is united behind him. In that, in the end, is the most compelling reason for him to run again.

Men & Matters

No bank holiday

A sign of hard times in Mexico. The government has prematurely cancelled its annual holiday for bankers just two weeks before it was due to take place.

It was decided that the Mexican banking convention — always well patronised by bankers from other countries — would jar with the national austerity programme. One observer on the spot explains: the sight of several hundred of the world's leading bankers feasting themselves while the great mass of Mexicans are asked to tighten their belts could have offended local feelings and given ammunition to those who feel that the banks have not shared in Mexico's debt crisis.

Foreign bankers, who have already taken a knocking over Mexico's mountainous external debt, are up in arms about the decision.

Their gripe is that they will, each and every one, stand to lose their deposits for the convention and flight and hotel bookings in view of the late news of the cancellation.

One banker suggests that if the banks are not properly reimbursed then they should decrease next year's \$4bn commercial loan to Mexico by the amount they are owed.

Thames' tide

Two maxims for commercial life: never throw away a business card and never turn away a potential investor too brusquely. You never know when they will come in useful.

Joseph Benjamin will have learned that: second lesson because, after an interlude of two and a half years, he is teaming up again with Tom Whyte, formerly of the failed secondary

bank, Triumph Investment Trust.

Their first meeting, apparently, took place at lunch in the Howard Hotel, London, in April, 1981. Five months earlier, Benjamin had bought a 50 per cent stake in the investment and securities to the USM, via Denis Poll's Tring Hall issuing house.

Lo and behold, when Thames scrutinised its share register it found Whyte sitting on a hitherto undisclosed 6 per cent holding and, with various other friendly investors speaking for some 19 per cent in total. The news that Whyte was back in the stock market and heavily involved with one of the very first USM issues, had caused a stir in the City. As one of those closely involved with Thames those days remembers, "It created a certain amount of alarm, to put it mildly."

Lunch gave Benjamin indignation, it seems, but it did produce assurances from Whyte that he would withdraw. The shareholding was placed at 22½p in the market and Benjamin is understood to have bought a large slice of the stake for himself.

Exit Whyte, but only temporarily. Thames' big office project on West Flagler Street, downtown Miami, has gone sour. It cannot afford to take on the total \$24.75m development itself and cannot find anyone to help. Worse, a thorough examination of Thames' UK portfolio has produced a hefty write-down of the property assets, and its rental income is a long way short of covering interest repayments. Thames lost \$4.9m after all charges this year and its assets are worth only 67p against a suspended share price of 30p.

Re-enter Whyte, picking up the pieces in Florida and bearing promises that Benjamin, now off the board of the company he created, can take a



"They say you've got to pay in U.S. dollars from now on."

20 per cent cut of the Miami rental income, provided he manages the project, and a handsome \$180,000 annual gross management fee to help him do it.

There are no pals like old pals, it seems, even if past acquaintance was, perhaps, a bit cool.

Private eye

Nicholas Ridley, the new transport secretary, is an unlikely advocate of "workers' control" in companies. But, nevertheless, the phrase slipped out yesterday when he was talking about his new job.

Ridley quickly recovered his balance, however, by explaining that his support is for employee buy-outs like that at the National Freight Corporation (NFC), and which has been pleasing employees with

rising share values ever since. Ridley is an arch exponent of privatisation (or de-nationalisation as it was known when he prepared a policy for ex-prime minister Edward Heath in 1980). De-nationalisation was ignored then, he says, but he has had more success with the plans he prepared for Mrs Thatcher.

He will have plenty of opportunity to put his ideas into practice personally at the Department of Transport. Privatisation candidates on his list include British Airways, the British Airports Authority, the National Bus Company, and Sealink, which is expected to be hived off by British Rail next year.

Ridley is pleased that, in his former Treasury job, he was able to facilitate the employee buy-out at NFC by introducing tax exemption on the loan interest payments which made it easier for employees to buy the shares in their company.

He contrasts the profits which NFC is now making with its poor earlier performance, when the pension fund suffered. He thinks the present performance of the company justifies the Government's decision to put the NFC pension fund in order so as to make the buy-out possible.

All of which raises a question. Will British Airways and National Bus, both with debt problems to be resolved before they can be privatised, be the next to enjoy some government help to iron out their crumpled balance sheets?

Sporran thought

Did you hear about the Scotsman who felt embarrassed in his national dress? He had a kilt complex.

Observer

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Youth Training in Britain

The missing link, perhaps

By Alan Pike, Industrial Correspondent

"OBVIOUSLY A one-year programme which includes a minimum of 13 weeks of off-the-job training or further education cannot be described as a complete training scheme," says Mr David Young, chairman of Britain's Manpower Services Commission. "But the Youth Training Scheme is a national preparation year of a type which we have never had before."

"It is a link between school and the real world. The importance of YTS in developing young people's attitudes towards work as well as providing them with particular skills, should not be underrated. It is much more than a mere response to youth unemployment. YTS will be going on when the present youth unemployment problem has been forgotten."

Strong words, but this autumn sees more than just the continuation of an old, inconclusive debate about how to strengthen links between business and education. The two initiatives now getting underway—YTS and The New Technical and Vocational Education Initiative—really could change the way in which young Britons are prepared for adult and working life. Both originate not from Sir Keith Joseph's Department of Education, but from the MSC. This is itself significant—the MSC is credited even by its critics with an ability to cut through debates and get ideas up and running.

The schemes' most ardent supporters see them as a last chance for Britain to emulate the much-praised vocational preparation schemes of overseas competitors. They talk of a training revolution and a permanent break with the past. Critics respond with equally emotional references to churning labour, massaging the unemployment figures, driving down wage rates and attacking trade union organisation and comprehensive schooling.

It is certainly true that most of the young people joining YTS this autumn do so not as willing pioneers of a much-needed reform in industrial training, but because they can not find jobs. There are already more than 200,000 trainees on the scheme, some 20 per cent below expectation for this time of year though by Christmas many young people who have

THE YOUTH TRAINING SCHEME

Young people are offered a year of training and work experience, at a cost of £1bn a year. All unemployed 16 year olds are guaranteed places by Christmas but—importantly—YTS is also available to school leavers who go into employment. Trainees receive MSC grants of £25 per week. Designed as a permanent system of vocational preparation.

THE NEW TECHNICAL AND VOCATIONAL EDUCATION INITIATIVE

Launched as a pilot project only last month, but most local education authorities in England and Wales could be running NTVEI courses next year. Schemes will provide four years of integrated technical and general education for 14-18 year olds. NTVEI could have huge potential for changing attitudes towards technical training in schools.

failed to find jobs will probably enrol in YTS as a last resort. There are already indications that some major employers are preparing to use YTS as their standard source of youth recruitment, and will try to offer jobs at the end of the training year to as many young people as possible.

And the introduction of YTS has helped shift apprentice training from time-service to a basis of achievement standards in many industries—although doubters fear that some companies may be tempted to drop all longer-term apprentice training in favour of an annual intake of subsidised YTS trainees.

In the year leading up to this autumn's launch the MSC ran a series of pilot projects, and these have left no shortage of accounts of employers and trainers who are impressed by the effect which an appropriate blend of practical and theoretical training can have on young people.

At one pilot project at the National Foundry and Engineering Training Centre at Basildon, Essex, the computer room proved more popular with trainees than the traditional engineering workshops. Young



David Young, MSC chairman

people shunned computer games, and staff were impressed by the speed at which they grasped serious computer skills in a workplace environment.

Training officials are also impressed by how favourably many young people compare YTS to school. Mrs Josiane Willemans, managing director of Trans Promotions—a training organisation which is responsible for running a national YTS scheme in warehouse practice and other local schemes in the South East—says: "I am forcefully struck by the number of young people who have very negative recollections of school but are responding positively and successfully to YTS."

Such reactions, which are common among training officials, are supported by a study of unemployed young people in Birmingham published last month by the Netherlands-based European Centre for Work and Society.

The investigation concluded: "Whether or not they have enjoyed YTS, the young people looked back on it with nostalgia—many respondents had left with nothing of substance to offer a potential employer nor any confidence in their ability... they had found their

careers tuition too little, too late, over-generalised or out-of-date."

YTS supporters say that research like this seals the argument in favour of the scheme whatever its present imperfections. And it helps to explain why the TUC and a lot of Labour-controlled local authorities are supporting the MSC's politically-sensitive excursion into the schools with its new technical and vocational education initiative.

But if the MSC schemes are intended to improve links between school and work, they pose as many questions for the schools as they do for industry. Many education authorities have made strides in recent years to improve the awareness which both pupils and teachers have of industry—a task made no easier at a time when employment can no longer be regarded as the automatic end-product of schooling for many young people.

But the MSC schemes raise a deeper challenge than this. Mr Geoffrey Holland, director of the MSC, remains resolute that a training strategy to make Britain more competitive in the 1980s needs in particular to provide managerial and technical competences and a flexibility and mobility in the workforce. "In meeting these requirements," he suggested, "traditional distinctions between short, specific, practical 'training' and broader-based, longer and more conceptual 'education' become difficult to sustain."

If the MSC's attempts to reform youth training this autumn succeed, they will revive the long-running issue of the distinction between education and training in Britain, and their relative importance. "Much will depend on how employers operate YTS," says Ken Graham, assistant general secretary of the TUC and an MSC commissioner. "If it is used selfishly and young people are exploited they themselves will view it as a third-rate opportunity. Unions and the TUC would then be under great pressure to withdraw support from the scheme."

But if it is approached creatively and the opportunities are genuinely worthwhile—if employers put the interests of the young people first—it can work for them, for employers in the longer term and for the country."

FOREIGN SECURITY and blocking laws impede the Securities and Exchange Commission's efforts to police the internationalised U.S. securities markets. They must not foreclose us from preserving the integrity of our markets.

At the centre of world economic order is the dollar and our capital markets. Purchases in the U.S. by foreign persons or institutions involving stocks and bonds have more than doubled in four years to \$53bn in 1982. Our markets also are an important source of capital for foreigners. About 250 foreign issuers and 25 foreign governments have securities registered with the SEC.

Other nations' stock markets also are increasingly affected by transactions initiated outside their borders. The opportunities for fraud are expanding. While all markets are becoming internationalised, each is policed with local laws. They differ substantially and procedurally, creating information or enforcement gaps. The opportunities for fraud are expanding.

Secrecy and blocking laws create these conflicts. Secrecy laws forbid the disclosure of business records or the identity of bank customers. Blocking laws prohibit the disclosure, inspection or removal of documents located in the enforcing state in compliance with orders of foreign authorities.

About 25 countries have such laws. They may not be an absolute prohibition to disclosure of information or removal of records. But criminal penalties apply to their violation. Because of the internationalisation of our markets, the SEC often encounters these laws. They shield from our scrutiny information underlying certain corporate disclosure and market activity.

Two examples illustrate how the SEC's efforts are impeded by secrecy and blocking laws. Suppose an officer of a company planning a tender offer purchases shares of the target company—that's insider trading. He places the order in the U.S. market through a bank in a secrecy jurisdiction such as Luxembourg or the Cayman Islands. If the transaction was conducted through a U.S. broker, the firm would be obliged to assist the SEC in identifying the individual involved.

However, because the transaction was effected in the U.S. through a bank in a secrecy jurisdiction, we would be denied the information necessary to determine whether a violation occurred. Also, suppose the SEC is investigating fraudulent disclosures by a U.S.-based multinational corporation with a significant subsidiary in a country with blocking laws such as France or the UK. We can subpoena the U.S. parent requesting production of the

U.S. Securities Markets

Why the SEC has to act on foreign secrecy

By John Fedders

In spite of efforts by the SEC to stem the tide, insider

Swiss banks to aid U.S. insider probes

SEC wants conference on secrecy disputes

Swiss move on U.S. insider trading

The U.S. and Swiss governments have agreed to a "waiver" by which the U.S. will allow Swiss banks to continue to provide information to their customers on the basis of Swiss law, even if it is not in compliance with U.S. law.

The SEC's aggressive enforcement action is not an extrajurisdictional application of U.S. law or an infringement of the sovereignty of other nations. Persons effecting transactions through foreign financial institutions in our markets engage in conduct within the U.S. They make a direct and intentional decision to engage in conduct within the U.S. to take advantage of our markets.

We threaten no nation's sovereignty. Where a violation of our securities laws has occurred, the U.S. sovereign interest in protecting its markets and prosecuting the violator is at issue. Before an SEC investigation confronts

secrecy or blocking laws U.S. national interests have already been adversely affected.

The SEC must be aggressive in this area. Otherwise we accept a *de facto* double standard of law enforcement. One standard for those trading within the U.S., and a lesser standard for those trading from beyond our borders. A double standard of enforcement would make a mockery of this nation's efforts to enforce its laws and protect its markets.

These principles do not reflect U.S. interests alone. All nations with securities markets are vulnerable to persons outside their borders who abuse those markets while hiding their activities behind secrecy or blocking laws. The danger is clear and present.

To prevent the shield of foreign laws from endangering the U.S. marketplace, new solutions are needed. They could be unilateral, bilateral or multinational.

Unilateral approaches have been viewed as hostile—as the U.S. imposing its will on the world without consultation. Unilateral approaches may drive securities business offshore and easily be evaded.

Recently, consideration has been given to a "waiver" by which the U.S. would waive the protections of secrecy and blocking laws as a precondition for engaging in securities transactions in the U.S.

The U.S. could require that foreign investors make an explicit choice—either to forego the investment opportunities available in the U.S. or to give up the protection of foreign laws that might be used to conceal the identity of the investor and the circumstances of the transaction.

Bilateral approaches, while effective, are slow to negotiate. Mutual assistance treaties between the U.S. and Switzerland have proved valuable. In 1982, the Swiss agreed to assist the SEC in its efforts to combat insider trading through Swiss banks. Because of the effort required, it would be impossible to negotiate treaties with each nation having secrecy or blocking laws.

The only comprehensive answer will be multinational.

Solutions assuring fairness for all who seek access to the world's capital markets should be a priority of all nations. A multinational conference of law enforcement officials from the nations with securities markets and those with blocking and secrecy laws is needed to facilitate the search for neutral principles and viable alternatives for policing each nation's markets as they continue to internationalise.

Mr Fedders is Director of the Division of Enforcement of the Securities and Exchange Commission. The views expressed here are his own.

Letters to the Editor

Proportional representation systems

From Mr B. Murphy
Sir—Peter Fulzer's article on proportional representation (October 12) suggests that an illogical system be replaced by alternatives that are themselves badly flawed.

There is surely no need to depart from the principle of one man, one vote by complicated schemes that do not guarantee true proportional representation.

Why not simply do away with the present constituency boundaries, make constituencies much bigger, and let them be represented by more than one MP? Each party would present a list of candidates to contest the constituency, and the seats would be allocated by straight proportional representation. This way individual MPs remain

attached to particular constituencies. At the end of the day, the total vote for the country would be tallied up, and supplementary seats would be allocated to reflect overall proportional representation. A threshold of 5-10 per cent would be imposed to prevent the proliferation of small parties.

A system something like this works perfectly well in Scandinavia, which has a reputation for sane government. Why has not somebody suggested it as a model for Britain?

Bernard Murphy
Hollenderdybet 32, 3.ft.
2300 Copenhagen S, Denmark.

From Enid Lakeman
Sir—Peter Fulzer (October 12) says that the single trans-

ferable vote is "the least proportional of the various PR systems." On the contrary, it is the most proportional, since it gives proportional representation not only to the organised political parties but equally to any other groups into which the voters may choose to divide themselves, for example, in the first STV election to the Irish Dail—to those for and those against acceptance of the Treaty offered by Britain.

The accuracy of the relation between a party's popular support and its seat share is not dependent on whether election is by STV or party list, but on the number of members elected from each constituency.

Enid Lakeman
37 Culverden Avenue,
Farnbridge Wells, Kent.

Back to Merrie England?

From Mr J. Hatherley
Sir—Clive Wolman's article (October 3) on tax loopholes, income-tax avoidance and the difficulty of defining "income" interest me in connection with my own research into taxation. I am beginning to wonder whether we should return to ancient times in Britain. I gather that until the Napoleonic Wars, and thereafter until the Crimean War, most of the Government's expenditure was financed through a tax on land. To tax a man's income (however defined) was considered iniquitous.

Paradoxically, with the decline of the landed aristocracy's political power and the coincidental increase in land values as a result of the industrial revolution, land taxation has occupied a back place in government revenue.

To come to the present day: I was astounded this year to find that my home purchase in 1970 for £2,500 is now valued for fire insurance purposes at £81,000 (no contents included). This extraordinary unearned rise, given uncertainty of definition, could be described as income, only partly taxed by our defective rating system. In the U.S., I understand, land values over the past ten years have increased several times more than wages or the rate of inflation.

Another interesting point about land is that it cannot be hidden and that current value at any time is easily ascertainable (as land is marketable) so tax cannot be avoided. Also, if an earlier edition of Lipsey's "Positive Economics" is correct, a land tax cannot be passed on. Milton Friedman says that if we have taxation,

the least harmful form would be a land tax. (In fact, we have a blueprint in Sec. III of the 1931 Finance Act.)

Is this the way back to Merrie England?
John Hatherley
16 Brighton Road,
Coulston, Surrey.

Introduction to Lloyd's

From Mr G. Davies

Sir—A number of accountants, "stop-loss" reinsurance brokers and investment management firms must be most grateful for the free publicity that Mr Moore is providing for them. I feel that it is time Mr Moore took more care over the statements he makes as his articles are tending to obscure the fact that membership of Lloyd's remains a high risk venture.

In practical terms membership of Lloyd's will always have its hazardous possibilities for nothing has changed the underlying commitment of unlimited liability.

Many new members may well have chosen their agent as a consequence of meeting someone at a cocktail party or a golf club, which may or may not prove satisfactory in the long term, and membership of Lloyd's should only be considered as a long term venture. Equally there is no doubt that the professions, such as solicitors or accountants, also bankers and stockbrokers can be of assistance in advising their clients on membership of Lloyd's.

Anyone considering membership should seek advice from more than one quarter and inquire and inquire, for it is all too easy to find oneself convinced of the expertise and knowledge of anyone in a field

Local government spending

From Mr N. Record
Sir—There is a widespread impression that local authorities' spending has been mushrooming out of control in recent years, and that the swingeing increases in rates that have hit industry so hard have been due to this uncontrolled rise in expenditure. On checking the facts in the 1983 edition of the National Income and Expenditure "Blue Book," I find that the true situation is very different.

Between 1979 and 1982 local authorities' total expenditure in constant value pounds fell by 6 per cent. During the same period, local authorities' revenue, also measured in constant value pounds, increased by 7 per cent. The overall rise in revenue comprised a 30 per cent increase in rates and a 3 per cent fall in other receipts (mainly grants from central government). With expenditure falling and revenue rising local authorities moved from a financial deficit in current terms, of £2.5bn in 1979 to a surplus of £1.14bn in 1982, i.e. an improvement of £3.29bn. This change in the local authorities' financial deficit/surplus accounts for the greater part of the overall £3.85bn reduction in the PSBR over the same years.

N. J. Record
The Old Vicarage,
Wedmore, Somerset.

The housing market

From the Director, Shelter
Sir—If the Adam Smith Institute's Omega report (October 11) is as pathetically ignorant as its suggestions for the future of the housing market, the intellectual resurgence of the political Right has clearly a long way to go.

The prescriptions of the Institute are basically the removal of council house subsidies, the removal of rent control in the private rented sector and the addition of further incentives to owner occupation. It appears not to have noticed that except in the inner city, almost all council house subsidies have already disappeared and that in the private rented sector the government has already, through the "assured tenancy scheme," allowed registered landlords to provide lettings outside the Rent Acts.

Interestingly, the first attempt to provide such tenancies showed that an economic rent would, within four years, exceed the mortgage repayments of buyers of identical homes. That simply confirmed what most numerate people already knew—we so heavily subsidise owner occupation in this country that we completely squeeze out any rented market which is not itself equally subsidised.

The Omega report on housing is a piece of special pleading masquerading as free market economics and has no relevance to the nation's economic ills or to its housing problems.

Neil McIntosh
157 Waterloo Road, SE1

Bring back matron

From Dr R. Cutler

Sir—In my day ward sisters had complete charge of their domain and were treated with considerable respect, even by consultants, housemen or more correctly housepersons. If general cleaning or any other domestic matter was at fault her comments would be made known, and the unlikely event of continued dereliction matron or assistant matron would be called in before who all concerned would quail.

Nowadays in similar circumstances the sister in charge of a ward would have to refer the matter to a nursing officer, who would normally have been an upgraded ward sister with her own distinct uniform, the chief insignia being a clipboard. Representation would then have to be made to whatever union officer was in charge of the cleaners before anything would be done. How this state of affairs can ever have come about is almost inconceivable but if cuts there must be in hospital funding one staffing aspect at least could bear investigation.

(Dr) Robert Cutler
19 Woodlands Road,
Surrey.

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THREAT TO END REUNIFICATION OF FAMILIES FROM EAST AND WEST

East German warning on U.S. missiles

BY LESLIE COLITT IN BERLIN

EAST GERMANY has unveiled its secret weapon in the war of nerves against the planned deployment of new U.S. medium-range missiles in West Germany.

Herr Wolfgang Vogel, the East Berlin lawyer in charge of uniting families divided by the Berlin Wall and of obtaining the release of East German political prisoners freed by West Germany, has given a warning that those actions might come to an end if the missiles are stationed.

Herr Vogel, appearing on West German television for the first time yesterday, told a viewing audience in both Germany that he was preparing for the "worst" unless East

and West Germany joined in a "coalition of reason" against the missiles.

The 56-year-old lawyer said that if that happened, more East Germans would be able to leave the country, including those caught trying to escape. East Germany, he noted, would not be influenced by the hard currency it earns from the release of its prisoners.

Herr Vogel is in a position to know. As a confidant of Herr Erich Honecker, the East German leader, he has been in charge of "humanitarian" contacts with West Germany since 1962. In the ensuing years, some 25,000 political prisoners - mostly thwarted escapees but

also convicted agents - have been released to West Germany.

This year, the Bonn Government is paying an average of DM 40,000 (\$15,368) for each of the 2,000 prisoners who are expected to be freed. In addition, Herr Vogel has been instrumental in reuniting tens of thousands of East Germans with their families in West Germany and of ensuring that a steady flow of dissidents can leave the East.

Herr Vogel was the go-between in the 1962 exchange of the convicted Soviet spy, Col Rudolf Abel, and the U-2 pilot, Gary Powers. He also played a key role in the release to East Germany of Herr Glinzer Gull-laud, the spy in former Chancellor

Willy Brandt's office. Equally important, Herr Vogel over the years has been an invaluable conduit between the leaders of East and West Germany.

Earlier this month, Herr Vogel - who says he is a "humanistic Marxist" - was given one of East Germany's highest awards, the Medal for International Understanding, by President Honecker. West Germany's former government spokesman and ex-representative in East Berlin, Herr Klaus Bölling, said the Bonn Government could do worse than publicly recognise Herr Vogel's services.

Crissi may reaffirm missile commitment, Page 3

Caterpillar closures cost \$94m in quarter

By Terry Byland in New York

CATERPILLAR Tractor of the U.S., the world's leading manufacturer of earth-moving and construction equipment, ran up net losses of \$70m in the third quarter of this year, bringing its total nine-month deficit to \$334m.

The company indicated yesterday that the results nevertheless reflected an improvement on its early-year performance, when it was hit particularly hard by a six-month strike. Net losses in the first three months of the year amounted to \$172m.

But Caterpillar continues to believe it will incur a loss for the last half of the year.

Although it is still possible for the company to return to profitability by year end, it said such a move was uncertain.

The latest quarterly figures also embrace a \$94m charge for write-offs and provisions against the estimated costs of its plant closure programme. Without that expenditure, the company says its loss after tax would have amounted to \$21m.

The impact of the strike and the sharp downturn in Caterpillar's main markets was reflected in a 33 per cent fall in sales from \$5.5bn to \$3.7bn over the nine-month period.

In a bid to cut costs and cope with this decline in its market, the company has recently closed its fork-lift truck plant at Mentor, Ohio, while cutting its worldwide workforce by 28,000 men to \$8,000 over an 18-month period.

Caterpillar said it continued to be encouraged by the strength of the recovery in the U.S. and Canada, although markets remained weak in developing countries.

Demand for machines used in housing-related sectors and for commercial facilities increased, the company said, but sales to the coal-mining and petroleum industries remained depressed.

It said demand for engines used in heavy trucks improved.

Caterpillar said yesterday that despite this retrenchment it expected to make a loss in the second half of this year, but that the outlook for 1984 was favourable. It forecast a return to profits next year.

Brazil gives assurance

Continued from Page 1

banking community since his appointment as successor to Sr Carlos Langoni nearly two months ago.

Today he moves on to Zurich for a presentation to Swiss banks, which will be closely watched because they were lukewarm towards Brazil's first debt rescue effort mounted last spring.

Sr Pastore said he expected foreign investment inflows into Brazil to increase to around \$1.5bn a year as its adjustment programme got under way. This compares with about \$400m to \$500m at the moment, and should further reduce the need for loans from commercial banks over the next few years.

Dutch bank collapse prompts tighter rules

BY WALTER ELLIS IN AMSTERDAM

MR WIM DUISENBERG, president of De Nederlandsche Bank, the Dutch central bank, yesterday repudiated publicly to mounting criticism of the bank's involvement in the recent collapse of a regional mortgage bank.

Stung by charges of negligence by a commission of inquiry set up by angry creditors and by a series of questions in Parliament and from the press, Mr Duisenberg denied that the central bank was in any way responsible for the bankruptcy in August of the Tilburgse Hypotheekbank, of which it had been in direct supervisory control since 1978.

At the same time, he announced at a specially convened news conference that the central bank would be changing the way in which it supervised the activities of the commercial banking sector.

In future, there would be "an intensification of inquiries by the

(bank's) accountancy service and a more frequent and thoroughgoing co-operation with external accountants." Tilburgse annual reports have been shown to have been false, but were accepted without question by the bank.

In 1978, it was discovered that the Tilburgse Bank was in deep trouble. It was losing money and was seeking to make up revenue by co-operation with property owners in the artificial raising of prices.

On January 1 1979, the central bank took the bank under care and supervision, and new accountants were appointed.

This restored investor confidence considerably, but various malpractices allegedly continued, so that, on November 10 1981, the fiscal police raided the bank. Evidence was produced that liabilities exceeded assets. Debt, which had been assessed in early 1981 at Fl 48m (\$18.4m), turned out to be Fl 104m.

In October 1981, the bank issued mortgage bonds at 13 per cent, and indeed it went on issuing bonds almost until the end, when it was finally declared bankrupt on August 23 this year.

Creditors have expressed outrage that the central bank should have presided over such a chain of events.

An unofficial commission of inquiry, under Professor C.J. Rijnvos, a respected academic and former member of the Dutch upper house, reported in September that the Tilburgse board of management and the central bank could be considered guilty of "criminal negligence" for their part in the affair.

Questioned on the subject recently in Washington, Mr Duisenberg - who was involved in the early supervision of the Tilburgse Bank - said that holders of the 13 per cent bonds, now defunct, had to accept the risk.

Japan's ruling party in bid to head off Tanaka expulsion call

BY CHARLES SMITH IN TOKYO

JAPAN'S ruling Liberal Democratic Party (LDP) is hoping to use a proposal to cut income taxes as a lever for inducing the opposition parties to abandon their demand for the expulsion from the Diet (parliament) of former Prime Minister Kakuei Tanaka.

The LDP strategy will be put to the test today when tax proposals are unveiled at a meeting which the opposition has been invited to attend.

If the opposition parties approve the cuts, the ruling party will propose holding a meeting of the Diet to vote on a new tax bill, probably before the end of this month.

Acceptance of such a plan by the opposition would mean that the Government would have successfully weathered the political storm sparked off by last week's guilty verdict on Mr Tanaka, the principal defendant in the Lockheed bribery affair.

The crisis began when the opposi-

tion parties boycotted the Diet because the Government would not accept the tabling of a bill calling for Mr Tanaka's resignation.

Officials who have been working on the tax proposals said yesterday that they thought it was probable that the opposition parties would agree to attend today's meeting. There is, however, total uncertainty as to its outcome.

One possibility is that the tax proposal itself could be rejected by the opposition parties as inadequate. If the opposition agrees to go along with tax measures themselves, an extremely complicated situation will ensue in which the ruling party will try to make their adoption conditional on the "normalisation" of the Diet.

A pledge to cut income taxes was one of the first undertakings made by Prime Minister Yasuhiro Nakasone after he became leader of the ruling party, but the Government has taken more than nine months

to make up its mind to implement the promise.

The Tax System Council, an advisory body to the Ministry of Finance, finally agreed at a meeting on Monday that the cuts should be made.

Details of the council's decision were not published but it is believed that the finance ministry has given its blessing to a scheme which would cost the Government around ¥1,000bn (\$4.3bn) during this fiscal year.

A successful conclusion to today's meeting would open the way for the Government to unveil its long-awaited economic refutation and import promotion package (of which the tax proposals themselves form part).

If the meeting fails to produce a breakthrough and Japan's political situation remains deadlocked, the Government will continue to postpone publication of the refutation package.

Lloyd's underwriters face £13m losses

JOHN MOORE, CITY CORRESPONDENT, IN LONDON

MORE THAN 200 underwriting members of Lloyd's, the London insurance market, who form a syndicate, face losses of more than £13m (\$19.5m) - one of the largest series of losses sustained by an insurance syndicate in the market.

About 24 underwriting agents who look after the affairs of the 235 members who form the syndicate, including sports personalities Mark Cox and Virginia Wade, yesterday sent out a report and accounts detailing the losses.

Earlier this year, losses were ex-

pected to be at least £4.6m, but the estimates have been revised to the present levels.

Each underwriting member may now have to meet the losses out of personal wealth.

The report says insurance business accepted on behalf of the syndicate was "exceptionally poor" in quality.

The syndicate also accepted more business than was permitted under Lloyd's limits, and there was difficulty in recovering money owed under reinsurance contracts.

BIS optimism on debts

Continued from Page 1

gate current account deficit for this group of countries of the order of magnitude forecast may be financeable," the BIS states.

Nonetheless, its figures cannot disguise the marked slowdown in international bank lending that started in 1981 well before the Mexican debt crisis erupted in August last year.

Within the reporting area, there has also been a marked slowdown of interbank business as banks cut down the funds they deposit with each other. Cross-border interbank lending fell by \$4bn in the second quarter after rising by \$14bn in the first.

India to buy Soviet tanks and latest MiG fighter

By K. K. Sharma in New Delhi

HIGH LEVEL talks have been held in Moscow and New Delhi on a major new arms deal under which the Soviet Union has agreed to supply India with the latest version of MiG aircraft, tanks, missiles and other weapons.

This includes the MiG-31, the latest Soviet fighter planned for manufacture in the next few years. This is still on the drawing board, and the Soviets have indicated they will supply it to India once it has been successfully flight-tested.

In the meantime, the MiG-29, otherwise known as the Fulcrum, is to be supplied to India with rights to manufacture the highly sophisticated fighter under licence. This is likely to be done in existing Hindustan aeronautics plants originally set up to manufacture the obsolete MiG-21 which is being phased out of service.

For the Indian Army, the Russians have agreed to supply the T-80 tank, the latest to have undergone successful field trials. Many of India's existing armoured regiments are already using the Soviet T-72 tank, and these are expected to be gradually replaced by the T-80.

The deal, which will be worth several billion dollars spread over a number of years, was first discussed by the Indian Defence Minister, Mr R. Venkataraman, when he visited Moscow last June.

Since then, senior defence officials have visited Moscow for further talks, and discussions are expected to be continued at diplomatic level. The matter could be raised when Mr V. I. Arkhipov, Deputy Prime Minister, visits New Delhi later this year.

Other equipment that the Russians have indicated their willingness to supply includes warships, missile boats, submarines, transport aircraft and missiles. If the deal goes through, the Indian armed forces will again become heavily dependent on supplies from the Soviet Union.

The Indian Government has been diversifying its sources of supply of defence equipment mainly to avoid excessive dependence on Moscow. It was because of this deliberate decision that orders were placed with British Aerospace for Jaguar aircraft and with the French Mirage 2000. Submarines are to be bought from Germany.

BICC plans to raise \$70m in U.S.

By Mary Ann Sieghart in London

BICC, Britain's biggest cable maker, is to raise up to \$70m in the U.S. commercial paper market where U.S. corporations lend their surplus cash. Only top-rated companies can tap this market, and BICC has been awarded the highest commercial paper ratings from the three rating agencies, Standard & Poor's and Moody's.

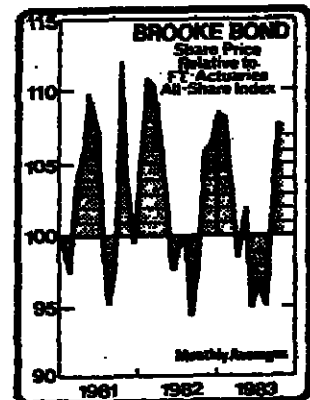
This move is part of a recent trend in which UK companies have looked to the U.S. for sources of finance. Only two days ago, Fisons, the health care and agriculture group, announced that it was tapping the U.S. domestic bond market for \$12m. Two weeks ago, Britoil, the recently privatised oil company, said it would raise up to \$150m in the commercial paper market. Other UK companies which have used this market include ICI, BP, Unilever and Marks & Spencer.

The company is using this route as an alternative, rather than additional, source of funds. Mr John Martyn, BICC's finance director, claims that it will save about 4 per cent compared with UK banks.

The money raised will mainly be brought back to the UK, but any exchange rate risk will be neutralised through hedging. It is not intended for funding the company's U.S. operation.

THE LEX COLUMN

Taking the bulls by the horns



The institutions have been so busy feasting at the UK Government's table recently that lesser mortals have not even bothered to send out invitations. Yet now that the BP sale is out of the way, and gill-edged funding is on the decline, competition for new cash is heating up again.

The equity market is humming with rumours of capital-raising exercises from industrial blue chips and the Bank of England's new issue queue, while not stretching all the way down Threadneedle Street, has few vacancies between now and the end of the year.

Even if some of the present candidates withdraw at the last minute, 1983 will be a bumper year for new issues. According to Samuel Montagu, £2.1bn of new money was raised through the issue of ordinary shares in the first nine months of this year, roughly double the figure for the same period of 1982. Even adjusting for the unusual number of company flotations, activity has been picking up sharply.

On the face of it, the trend is inconsistent with the very buoyant state of corporate balance sheets. Hoare Govett, for example, estimates that the industrial group of the FT-A All-Share index will be reporting an average net debt-to-equity ratio of 23 per cent at the end of this year, an improvement of 2.3 percentage points on the December 1982 figure.

Increasingly, rights issues are being announced by companies to which such considerations of balance-sheet reconstruction are academic. MFI is an obvious example. Cash is being raised from shareholders to take advantage of future and unspecified opportunities after a period of strongly rising equity values. To some market analysts, at least, that must be a worrying message.

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U.S. banks

In spite of international debt crisis and the squeeze on the domestic energy industry, by and large, U.S. banks have managed to keep their income moving ahead. The state of third-quarter statements in recent days shows that, for the money centre banks, the problem of non-performing loans to Latin America is still growing. For Chase Manhattan on Monday, that was the main reason for a drop in profits, although Citicorp yesterday managed to push earnings per share up by 8 per cent compared with a year earlier.

The message here is that, as loans are switched to a non-performing basis, so that interest income is recorded only when paid, the banks' earnings progression is likely to become more erratic.

The performance of the domestic U.S. banks is more varied still, with regional influences uppermost. The domestic banks were squeezed in the third quarter because the prime was slow to rise along with interest

Public borrowing

The exercise of running the latest UK public borrowing figures through the Treasury computer seems to have been rather harrowing for those concerned. Even with the benefit of seasonal adjustments, the half-year total could only just be squeezed into conformity with City of London expectations of around £9.5bn for the full year. But the seasonal adjustments seem to have been more "judgmental" than usual, and the official handout naturally lays stress on the difficulty of interpreting them.

The wild swings in spending behaviour over the last two years have made forecasting the full-year Public Sector Borrowing Requirement an unpopular sport. Yet if previous patterns were to reassert, the final figure could be over £11bn, a number likely to cause consternation in the gilt-edged market.

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Area	°C	°F	Area	°C	°F	Area	°C	°F	Area	°C	°F
Algeria	21	70	London	15	59	Madrid	22	72	San Francisco	12	54
Amman	25	77	Lyons	18	64	Moscow	10	50	Seattle	10	50
Antwerp	15	59	Munich	12	54	Nairobi	22	72	Singapore	28	82
Athens	23	73	New York	15	59	Rangoon	28	82	Sydney	22	72
Bahamas	30	86	Oxford	12	54	Reykjavik	10	50	Taipei	22	72
Bangkok	28	82	Paris	15	59	Rio de Janeiro	22	72	Tokyo	22	72
Bombay	30	86	Prague	12	54	Sao Paulo	22	72	Ulaanbaatar	10	50
Buenos Aires	22	72	Stockholm	10	50	Tientsin	15	59	Yokohama	22	72
Burma	28	82	Toronto	10	50	Yokohama	22	72			
Calcutta	28	82	Washington	15	59						
Canton	28	82									
Cebu	28	82									
Colombo	28	82									
Dacca	28	82									
Delhi	28	82									

Japan accepts U.S. import quotas

Continued from Page 1

products from the quotas imposed by the Reagan Administration last July, create a separate country quota, and moderate the planned reductions for Sweden.

The understanding, which runs for four years ending July 1987, involves a 25 per cent cut in alloy tooling steel, bar and rod exports under the quotas.

Exceptions for such items as ball bearings will mean total shipments will decline by about 23 per cent this year, officials said. The quota will be raised by 3 per cent a year.

Denmark announced yesterday it was imposing sharp restrictions

on imports of East German steel, which government officials said was being sold at dumping prices, reports AP-DJ in Copenhagen.

The industry minister, Mr Ib Stetter said he received parliamentary approval to limit East German steel to 750 tonnes for the rest of the year.

East Germany in the first half of 1983 alone sold Denmark 13,000 tonnes of steel at about Dkr 1.715 (\$182) per tonne, or 55 per cent of the normal market price of around Dkr 3,010 per tonne.

Mr Stetter said he recommended the ceiling after he and the Foreign

Minister, Mr Uffe Ellemann-Jensen, failed to persuade East Germany to raise its prices.

"We have complained to the East Germans before that they are profiting by exporting far more to Denmark than they are importing from us," Mr Stetter said.

He also said the imports could hurt steel production in Denmark and in its nine EEC partners, which have banned cheap steel from non-member countries, because of over-production.

He rejected East German claims that its steel is priced low because it is of second-rate quality.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday October 19 1983

When that package
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Commerzbank to pay dividend after 3 years

BY JOHN DAVIES IN FRANKFURT

COMMERZBANK, West Germany's third largest commercial bank, expects to pay a dividend of DM 6 per share on this year's earnings, after a three-year gap in its payment to shareholders.

Dr Walter Seipp, the chief executive, said yesterday that resumption of a dividend was now certain in view of the bank's earnings so far this year.

He said he saw no reason to contradict rumours in stock market circles that the managing board would recommend a DM 6 dividend for this year.

Despite greatly improved operating results, it would be wrong to set a dividend so high as to prevent adequate risk provisions being set aside, he added.

Commerzbank last paid a dividend - amounting to DM 8.50 - on

its 1979 earnings, before plunging ever deeper into difficulties.

The bank suffered a severe setback as the rise in interest rates led to mismatched credit business, with long-term loans financed by borrowings at higher rates in short-term money markets. It also had to make considerable provisions to cover write-downs of securities.

Dr Seipp was brought in from Westdeutsche Landesbank to become the new chief executive in May 1981. He has presided over a recovery strategy that has included reorientation of borrowing and lending business, and sale and lease-back of property.

Along with other banks, Commerzbank showed a hefty improvement last year but decided to strengthen its position by building reserves and making considerable

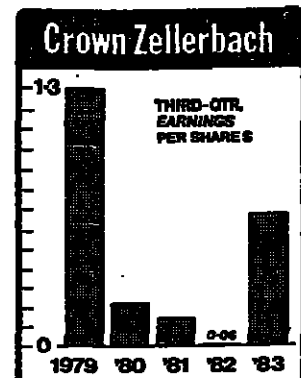
provisions for risks, at home and abroad.

Its operating earnings made a further strong advance in the first half of this year. Its partial operating result, which basically consists of interest and commission earnings minus staff and material costs, reached DM 468m (\$181m), 68 per cent higher than the figure for half of last year's result.

The bank will release its nine-month results today.

The other two big West German commercial banks, Deutsche Bank and Dresdner Bank, have also reported improved operating earnings in the first half of this year.

Dresdner has indicated it is considering lifting its dividend after having cut it from DM 6 in 1980 to DM 4 in each of the past two years.



Earnings tripled at Crown Zellerbach

By Our New York Staff

CROWN ZELLERBACH, the major U.S. forest products group, tripled its earnings from \$7.4m or 6 cents a share to \$22.3m or 18 cents a share in the third quarter, partly due to the sale of loss-making subsidiaries and a general strengthening in its paper markets. Revenues slipped from \$749.2m to \$711.8m.

The group says its timber and wood products businesses showed gains relative to last year as well but the results reflected generally soft log and timber markets.

The third quarter results contain a provision for \$12.6m taxes compared with the same period last year when the earnings were boosted by a \$4m tax credit.

However, last year's figures include the results of Crown Zellerbach Canada and Norsk Pacific Shipyard, which contributed \$107m to sales and a \$6.7m pre-tax loss. These operations have since been sold.

Mr William T. Cronin, Crown Zellerbach's chairman, said: "Improvement in paper markets is a particular source of satisfaction. The higher operating rates mean that the company is able to enjoy the benefits of the improved cost effectiveness at mill level."

At the nine months stage, earnings rose from \$24.2m or 20 cents a share to \$62.7m or 51.7 cents a share to \$22.3m or 18.6 cents a share.

NON-PERFORMING LOANS CLIMB TO \$2.6BN

Property sale lifts Citicorp

BY PAUL TAYLOR IN NEW YORK

CITICORP, the largest U.S. banking group in terms of assets at year-end, yesterday reported an 11 per cent increase in third-quarter earnings - entirely attributable to a special gain on the sale of property in Hong Kong.

The bank also disclosed that its non-performing loans climbed to \$2.6bn at the end of the quarter and pushed higher mainly because of loans to borrowers in Latin America's private sector.

Manufacturers Hanover, the fifth largest U.S. banking group, which recently announced plans to buy BNA's City Financial subsidiary, also reported modestly higher third-quarter earnings, up 3.2 per cent over the year earlier at \$88m, but said earnings would have been \$1m lower had it not been for a change in state banking rules covering non-performing loans.

The three-quarter loan loss provision was \$10m compared with \$35m in the 1982 quarter. The allowance for loan losses rose to \$34.7m at September 30 against \$226.7m a year earlier.

Citicorp said its net earnings in the third quarter were \$221m of \$1.86 a share (\$1.58 a share on a fully diluted basis) up from \$199m or \$1.54 a share (\$1.46 a share fully diluted) in the comparable period last year on revenues which grew from \$1.35bn to \$1.44bn.

That helped to boost nine-month earnings to \$658m or \$4.99 a share (\$4.74 a share fully diluted) from \$530m or \$4.11 a share (\$3.91 fully diluted) on revenues which increased from \$3.7bn to \$4.3bn.

The bank said it achieved the results "despite a difficult operating

environment." Among the adverse factors affecting performance, the bank noted "an increase in non-performing loans," although it added: "The cash yield on such loans was only slightly below the average base rate."

Citicorp also cited continuing credit write-offs as well as year-to-date increases in income taxes of \$212m, bringing the effective tax rate to 47 per cent from 42 per cent as other negative factors.

Citicorp said its non-performing loans increased to \$2.6bn or 3 per cent of total outstanding loans at the end of the third quarter, up from \$2.3bn at the end of the second quarter and \$1.5bn a year ago. The bank noted that the historical high was reached at the end of 1976 when 5.8 per cent of its loans were non-performing.

"The increase in non-performing loans was primarily attributable to weakness in the Latin American private sector," the bank said.

Reflecting that, Citicorp disclosed that its yield on non-performing loans had been 10.3 per cent in the year to date compared with the average lending rate of 11 per cent.

The bank said its allowance for loan losses stood at \$728m at the end of September, bolstered by the addition of \$82m during the past 12 months.

Non-interest income also showed gains in both periods, driven by strong fee and commission growth, and the third-quarter revenues were further bolstered by a \$32m pre-tax gain (\$23m after tax) on the disposal of property in Hong Kong.

Bank of Boston reported third-quarter net earnings of \$32.8m or \$1.79 a share compared with \$35.5m or \$1.95 a share in the third quarter last year. Nine-month earnings, however, increased from \$55.9m or \$3.56 a share to \$101.1m or \$5.54 a share.

Republic New York, the banking group controlled by Mr Edmund Safra's Trade Development Holdings Group, reported third-quarter earnings of \$22.2m or \$1.37 a share compared with \$19.4m or \$1.37 a share and nine-month earnings of \$62.7m or \$4.13 a share compared with \$50.9m or \$3.85 a share in the same period last year.

Go-ahead for CGE, Olivetti

By Paul Betts in Paris

THE FRENCH Government has given Compagnie Générale d'Electricité (CGE), the large French nationalised electronics group, the go-ahead to acquire a 10 per cent stake in Olivetti, the leading Italian electronics company, the office of the French prime minister confirmed yesterday.

But the Government will not give CGE any direct financial support to help it acquire the 10 per cent stake in the Italian concern. The prime minister's office yesterday said it considered the issue a matter for CGE to resolve by itself.

The French Government controls at present 32 per cent of Olivetti through the nationalised Bull computer group and the nationalised Saint-Gobain diversified glass concern. The government is now willing to sell this stake to enable CGE to acquire 10 per cent of Olivetti. The remaining 22 per cent held by France is expected to be bought back by Olivetti or institutional investors.

CGE, however, is understood to have hoped for financial support from the Government to buy the Olivetti stake.

Best ever quarter for Philip Morris

BY TERRY DODSWORTH IN NEW YORK

PHILIP MORRIS, the diversified U.S. tobacco group, reported a 14.4 per cent rise in third quarter net earnings yesterday to \$285.9m, while operating revenues rose by 13 per cent to \$3.5bn.

The group, which operates under the Marlboro and Benson & Hedges trademarks, and also owns the Seven-Up soft drinks company and Miller Brewing, said the results reflected the best quarter in the company's history. This had been achieved, however, despite a fall in

volume in the tobacco market, where aggregate industry sales had slipped.

Philip Morris's share of this declining market had gone up, both for the three months period and over the first nine months of the year, the company added. In the Miller Brewing division, barrel shipments rose during the quarter although they remained flat for the full nine month period, while the Seven-Up brand had achieved gains for both periods.

Allis-Chalmers sees signs of recovery

BY TERRY DODSWORTH IN NEW YORK

ALLIS-CHALMERS, the U.S. agricultural equipment and machinery manufacturer, reported a 10 per cent rise in third quarter net earnings to \$19.5m from \$17.8m and said that its reorganisation measures were a positive sign for a return to profitability as markets recovered.

The improvement was achieved after a 6 per cent fall in sales to \$318.4m, mainly as a result of a fall in activity in the group's process equipment division. Agricultural equipment sales improved compared with a year ago, when the company was hit by production slumps from lengthy periods.

Earlier this year, Allis-Chalmers rescheduled part of its long-term debt after recording a \$207m net

loss in 1982, when all its main markets slipped into recession at the same time.

Chief David Scott, chairman and chief executive, said yesterday that it appeared the prolonged slump in the agricultural equipment market was now bottoming out. The summer drought in the U.S. was expected to lead to higher grain and soybean prices which would in turn lead to more acreage being planted next year, and a consequent upturn in equipment sales, he said.

Severe price discounting had continued in the lift truck industry, however, and the impact of the recovery in the U.S. had not yet filtered through to the process equipment market.

Oil services slump pulls down Northwest

BY WILLIAM HALL IN NEW YORK

CONTINUING HEAVY losses at Lone Star Steel have resulted in Northwest Industries' doing little more than break even in its third quarter. The conglomerate is planning to sell some of its assets and says it may have to establish additional reserves against some of its assets in the final quarter.

Northwest earned \$1.7m in the third quarter and \$4.9m for the first nine months of the year. That compares with nine-month earnings of \$178m last year, and the sharp downturn reflects the severe recession in the U.S. oil services industry, which has led to heavy losses at Lone Star, the group's main operating subsidiary.

Lone Star, which earned \$252.7m in the first nine months of last year, made a \$74.2m loss in the corresponding period of the current year. The company says that, despite the upturn in drilling activity since the April low point, the timing of a recovery at Lone Star, which sup-

plies the oil services industry, is uncertain.

Although substantial reductions have taken place, high levels of inventories of oil-industry equipment continue to remain in the hands of distributors and users, while widespread price discounting as a method of clearing these inventories continues to affect business in Lone Star's principal market.

The company says that in the third quarter, price discounting by mills became more intense and, for the first time, extended generally to new production. A continuation of such discounting will postpone Lone Star's recovery to profitability and depress Northwest Industries' results.

The company says that if its consolidated earnings for the whole of 1983 are what it now forecasts, it should receive a tax refund of approximately \$70m cash in the first half of next year.

Strong gains for U.S. drug groups

By Our New York Staff

ELI LILLY and Merck two of America's leading pharmaceutical companies, have reported strong earnings gains in their third quarters on the back of modest sales increases.

Eli Lilly's net income rose 24.4 per cent to \$103.5m in the latest quarter. Earnings per share were \$1.40 in the latest quarter compared with \$1.10 a year ago. The latter was depressed by a 20 cent per share charge for the withdrawal of the drug Oraldex, but the company notes that the third quarter 1982 earnings benefited from sales of the product.

Merck's third quarter net income is up 15 per cent at \$109m on a sales increase of 6 per cent to \$798m. Eli Lilly's revenues rose by a similar amount to \$708m.

Merck's earnings per share totalled \$1.47 in the latest period against \$1.28 a year ago. For the nine months earnings per share are 9.6 per cent higher at \$4.68 per share.

Lilly says that all sectors of its business posted gains, led by pharmaceutical sales in the U.S. Its medical instrument systems division turned in a good performance.

IBM launches rival for Apple's Lisa

BY LOUISE KEHOE IN SAN FRANCISCO

IBM, the leading U.S. computer maker, yesterday moved to strengthen its position in the market with the announcement of new, high-performance versions of its personal computer (PC).

The new IBM 3270 PC will offer the ability to perform several tasks concurrently. Like Apple Computers' Lisa, the new IBM system will display data from up to seven applications in "windows" on the video screen.

A basic version of the 3270 PC will sell in the U.S. for \$5,585. The price includes a colour monitor and software as well as the personal computer. This puts IBM's price significantly below that of Apple's competing Lisa. Lisa sells for \$6,500 but includes a "hard disk" storage system. A similarly equipped IBM PC 3270 will sell for \$7,180. According to IBM, however, it does not currently plan to sell the new PC version through retailers.

The new IBM 3270 PC will offer the ability to perform several tasks concurrently. Like Apple Computers' Lisa, the new IBM system will display data from up to seven applications in "windows" on the video screen.

Setback for Hutton

BY PAUL TAYLOR IN NEW YORK

E. F. HUTTON yesterday became the first major U.S. investment firm to report a decline in third quarter earnings over both the same period last year and the record second quarter this year.

The Wall Street investment bank said it earned \$20.4m, or 80 cents a share, in the latest quarter compared with \$30.2m, or \$1.27, in the 1982 quarter. The 1982 earnings were swollen by the start of the bull market and an approximately \$8m after-tax gain from the sale of the

firm's investment in Gulfstream Aerospace Corporation.

Mr Robert Fomon, chairman and president of E. F. Hutton, said that if the special gain had been excluded "the net profit for the third quarter of 1983 would be slightly below the same quarter of last year."

Revenues for the period increased from \$428m to \$531m.

Wall Street's investment houses had generally been expected to report lower earnings in the latest quarter.

Schlumberger stake protects future of French water group

BY PAUL BETTS IN PARIS

SCHLUMBERGER, the leading Franco-American oil service and electronics group, has acquired a 10 per cent stake, valued at FF 500m (\$80m) in Compagnie Générale des Eaux, the large diversified French water distribution company.

The deal puts an end to months of controversy over the future of the water distribution group, which is mostly privately owned and which, with group profits of FF 432m on sales of FF 28.7bn last year, is one of the largest companies quoted on the Paris bourse.

The controversy broke out when Saint-Gobain, the nationalised glass manufacturer, started accumulating Compagnie Générale des Eaux shares until it had acquired 33 per cent of the company. The water concern hit back, claiming the Saint-Gobain move was an attempt

at creeping nationalisation of a company keen to maintain its management independence and private character.

Saint-Gobain was subsequently forced by the Government, anxious to defuse the row, to reduce its stake to 20.7 per cent in the water company. With the entry of Schlumberger as a holder of the company's share capital, the future of Compagnie Générale des Eaux as a private enterprise appears to be guaranteed.

The shareholders of the water company are now Saint-Gobain, which confirmed yesterday it had a stake of 20.7 per cent, Schlumberger with 10 per cent, Union des Assurances de Paris with 6 per cent, the state credit institute, Caisse des Dépôts, with 8.5 per cent, the nationalised Banque Nationale de Pa-

ris with 3 per cent, and a group of private shareholders led by M Guy Dejouany, the water company's chairman, with between 10 to 20 per cent. The remaining shares are held by small private investors.

Although Schlumberger's stake is smaller than Saint-Gobain's shareholding, the predominantly U.S. company's influence is expected to ensure the water group's independence and private character.

Among other things, M Jean Riboud, Schlumberger's chairman, is a close friend of President François Mitterrand.

Moreover, Schlumberger and Compagnie Générale des Eaux have a long-standing business relationship which is expected to be consolidated with the acquisition by the oil services group of 10 per cent of the water company.

Rumasa losses at \$280m since takeover

By David White in Madrid

RUMASA, formerly Spain's largest private holding group, has made losses of at least Pta 42bn (\$280m) since it was expropriated by the Government almost nine months ago, according to official statements to the budget committee of the Cortes, the Spanish parliament.

The current loss rate indicated by Sr Javier Moral, head of the State Patrimony Department, which now controls Rumasa, shows little change from provisional estimates for last year.

The group's continuing problems raise questions about the extent to which its banking and diversified other interests - including sherry, hotels and construction - can be successfully transferred back to the private sector, in compliance with the Socialist Government's stated intentions.

The negotiating process for buying off the first of Rumasa's non-banking activities is held up pending an imminent decision by Spain's highest court, the constitutional tribunal, as to whether the Government was acting within its rights when it issued its expropriation decree.

Goodrich bounces back to surplus

By Our Financial Staff

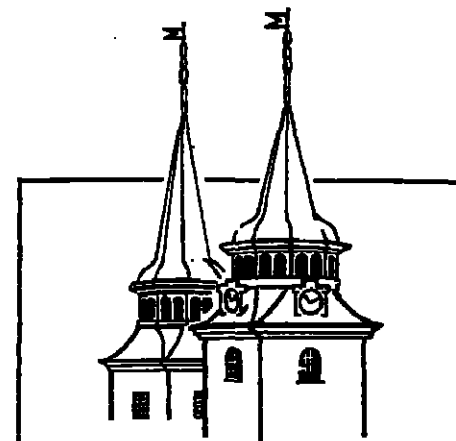
A STRONG recovery was achieved by B.F. Goodrich, the fourth largest U.S. tyre company, in the third quarter. On sales up \$57.3m at \$652.7m the group swung the after tax result from a \$106,000 loss to a \$14.1m profit, 15 cents loss to 80 cents earnings per share.

This left Goodrich, which also has interests in chemicals, plastics and engineering products, showing net earnings for the first nine months of \$12.2m, against \$900,000 last time, or 44 cents, against a 37 cents loss.

The latest quarterly figure benefited from a \$2.7m tax credit, whereas a year earlier a \$6m stock gain was offset by a \$3.7m loss in the devaluation of the Mexican peso.

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CONTINENTAL BANK
Continental Illinois National Bank and Trust Company of Chicago

September, 1983

INTL. COMPANIES & FINANCE

More cash for Austrian
state-owned groups

BY OUR VIENNA CORRESPONDENT



Dr. Fred Sinowatz, the new Austrian Chancellor.

AUSTRIA'S state-owned industrial plant play too small a part in its business. However, though Voest makes its heaviest losses in the steel works, other divisions are also in the red.

In 1982 steel production ended with a loss of Sch 1bn, the forge with Sch 85m, the foundry with Sch 200m and the pipe mill with Sch 341m. In manufacturing components, the loss amounted to Sch 529m and even engineering was slightly in deficit.

Therefore restructuring cannot be limited to cutting steel output but must cover the entire concerns, says Voest. Its directors say that the financial help they have received so far as well as the sums asked for are lower than the subsidies steel industries receive in other countries.

However, Voest would be in better shape if restructuring had not been held up by the Government for political and social reasons.

Voest, with a turnover of Sch 71.3bn in 1982, is now asking for Sch 6bn in fresh capital in the hope that this will be enough to permit a return to profitability.

The other big nationalised company, VEW, a producer of high-tensile steel and manufactured goods, is in far bigger trouble than Voest. VEW has already been granted subsidies and capital increases of Sch 6.8bn and needs roughly another Sch 1bn in 1983 and Sch 2bn in 1984.

In the end of next year the company will have used up around Sch 10bn of state aid.

The management admits that financial recovery is anything but close at hand.

VEW, even more than Voest, has been subject to political interference. It has been obliged to run loss-making plants and protect jobs. Only recently have the politicians accepted that the vicious circle of intervention, loss and subsidy must be broken and further state aid should not be wasted.

Chemie Linz, a producer of fertilisers, chemicals and pharmaceutical products, makes the largest part of its sales in bulk goods. Until 1982 the company kept out of trouble. But, last year, the slump in the commodities market affected Chemie Linz too and it now needs Sch 1.5bn from the Treasury.

The electrical engineering company, Elfin-Union, got into trouble through the losses of a subsidiary in the Middle East. It will have to draw almost Sch 1bn from public funds this year.

In contrast, aluminium producer Ranshofen-Berndorf may see light at the end of the tunnel. After years in difficulties, tight economies and a 10 per cent reduction of the workforce, the company is no longer making losses and has signalled money to add depth to production.

OMV has oil wells in Austria, and is the only refinery in the country. It is one of the leading oil and gas importers, and runs a chain of petrol stations. The company has made good

operating profits, but burdened by taxes and other costs, was forced to pay its last dividend from reserves. OMV has also had to take under its wing a loss-making nationalised petrochemical enterprise.

The unbroken thread running through the problems of the state holding group and its operating companies is that of overdue structural adjustments being delayed or prevented by political interference in the interests of employment and labour peace.

This difficulty has been aggravated by local pressures since many of the problem plants, especially in the steel and special steel sectors, are located in depressed areas of the country.

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U.S. expansion
for Mayne
Nickless

By Lachlan Drummond in Sydney

MAYNE NICKLESS, the Australian transport, security and computer services group, is to pay US\$33m for the armoured car operation of Puralator, the big U.S. transport and courier concern.

The Puralator armoured car operation will add more than US\$80m a year in annual revenues to Mayne's expanding U.S. operations and, according to the Australian company, will leave it in second position in that sector of the U.S. market, just ahead of Wells Fargo, but behind the much bigger Brinks group.

Mayne already operates armoured car services in the U.S. through its Loomis subsidiary but the acquisition of Puralator, expected to be completed in a few weeks, will extend its operating base from the Western states to the remainder of the U.S.

Fleet Group takes leading
stake in Faber Merlin

BY WONG SULONG IN KUALA LUMPUR

FLEET GROUP, Malaysia's largest newspaper publishing chain, is now effectively the biggest shareholder in Faber Merlin, the country's biggest hotel and property company, following heavy buying in the market in recent months.

Fleet is reportedly continuing to buy into Faber Merlin with the aim of exercising control, although a full bid is not expected.

To date Fleet, which is controlled by the ruling UMNO party, said it had bought 17m shares, representing 12.9 per cent of Faber Merlin's issued capital. It also holds 27.4m convertible loan shares acquired in May this year, which after conversion in January next year, would increase its stake to 23.6 per cent of the enlarged capital of 188m ringgit.

At the same time, Fleet's publishing subsidiary, New Straits Times Press, has also bought 5m Faber Merlin shares,

or 3.8 per cent of its equity. The price paid for the shares has not been disclosed, but Faber Merlin has been traded at between 1.8 and 3.2 ringgit during the last year.

Analysts say with such a sizeable stake and strong political support, it is only a matter of time before Fleet asserts its influence. Until now Faber Merlin has been effectively controlled by the Chang family, which however is now believed to have less than a 20 per cent stake.

The Changs have been associated with the group since its formation 20 years ago, but their influence has been greatly reduced during the past two years by the death of Mr Chang Yit Thien, the head of the family, and by the dilution of their holdings through acquisitions in exchange for shares and share issues to Bumiputras (indigenous Malays).

Receivers
for Carrian
subsidiaries

HONG KONG — A Supreme Court judge has appointed two accountants as receivers and managers of Carrian Property Management and 56 other subsidiaries — the newly failed publicly quoted arm of the Carrian group.

The judge's order provides that the appointments should not prejudice the rights of any secured creditors of the 57 subsidiaries, which include all companies in the Grand Marine Holdings and China Underwriters sub-groups.

Hutchison Whampoa, the property and trading group, has announced the formation of a joint venture to operate a public mobile and portable radio telephone service with Motorola of the U.S. and Dacom Communications of Hong Kong.

The venture will be 51 per cent owned by Hutchison. Reuter

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BALANCE SHEETS - DECEMBER 31, 1982 AND 1981 (Currency - Thousands of Turkish Lira)			
ASSETS	1982	1981	
Cash and due from banks	17,997,966	9,228,289	
Reserve deposits at Central Bank	6,737,077	1,462,199	
Bills discounted	114,924	189,000	
Government bonds	557,202	32,616	
Loans:			
Short-term	25,398,070	15,000,677	
Medium-term	3,005,716	184,614	
	28,403,786	15,185,291	
Less: Allowance for possible losses	(802,013)	(10,173)	
	27,601,773	15,175,118	
Equity participations	964,486	41,384	
Bank premises, furniture and fixtures, net	967,197	127,531	
Central Bank imports and other blocked accounts	1,198,184	1,283,968	
Accrued income and other assets	5,678,604	550,985	
	61,817,413	28,091,090	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand deposits	16,333,566	9,049,897	
Commercial	7,118,197	4,259,482	
Savings and other	495,894	378,995	
Time deposits			
Savings and certificates of deposits	19,422,616	8,314,678	
Interbank	343,170	307,563	
	43,713,443	22,310,615	
Borrowed funds from banks	5,556,174	989,359	
Import advances taken	2,624,550	1,062,269	
Payment orders at Central Bank	475,866	867,489	
Accrued interest and other liabilities	5,406,741	1,686,027	
Taxation:			
On income	651,662	201,846	
Other	633,698	222,794	
Total liabilities	59,062,134	27,340,399	
Shareholders' equity:			
Share capital	1,665,010	500,000	
Revaluation surplus	215,619	-	
Retained earnings	874,650	250,691	
Total shareholders' equity	2,755,279	750,691	
	61,817,413	28,091,090	

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TECHNOLOGY

FRENCH GO OFF AT A TANGENT AND STRIKE BLACK GOLD

Drilling for oil at 90° to the normal

BY PAUL BETTS, RECENTLY IN PAU

"THE RUSSIANS and the Americans tried it 40 years ago but failed and gave up. Our own people thought we were crazy when we told them we wanted to drill for oil horizontally rather than in the traditional vertical fashion. We have now shown we can do it, no one says we are crazy anymore and the big oil companies are beginning to take notice of what we are doing."

M. Jacques Bosio, deputy research manager of the French Elf-Aquitaine oil group, is not a man given to modesty. He talks and swears more like a Texan than a Frenchman, and last week he was positively crowing when Elf successfully completed drilling its fourth horizontal well in the pastoral setting of a maize field at the foot of the Pyrenees Mountains.

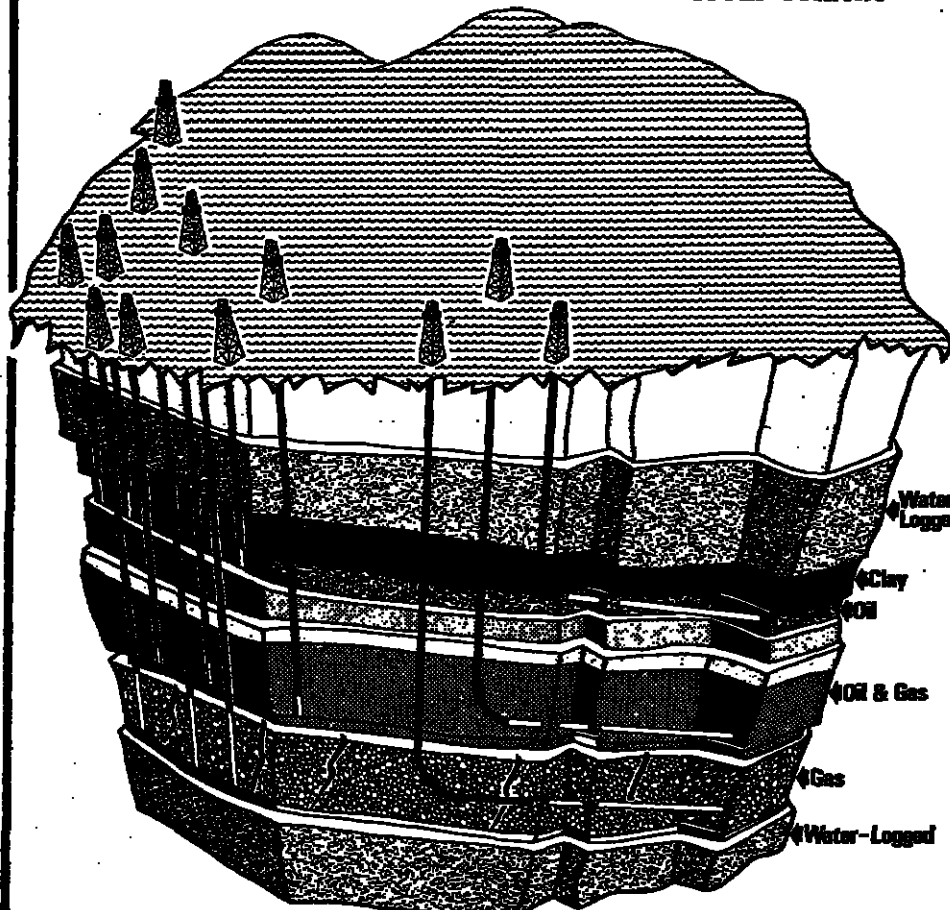
The latest horizontal well at the Casters-Lou oil field has demonstrated that horizontal drilling can be done at big depths in difficult rock formations. Elf first tested the technique three years ago at two low-depth wells near its huge Lacq gas field in this part of south-west France. It then applied this technique at a depth of 3400 metres offshore in the Adriatic where Elf's third horizontal well began producing exactly a year ago.

After drilling horizontally at 3300 metres at Casters-Lou, Elf is now planning to go even deeper to about 5000 metres and drill horizontally under the city of Pau.

"What we do with this technique is actually to go and get the oil rather than drill a well and let the oil come to it," explained M. Bosio. "The idea is to penetrate an oil deposit and then drill horizontally inside it. After initially drilling vertically under the surface or seabed, the drill is gradually curved to make eventually an angle of 90 degrees to enable horizontal entry into the oil deposit. 'You use all the same equipment for traditional vertical drilling. The hard bit is keeping the drill horizontal inside the reservoir and completing the well,' M. Bosio said.

Elf believes it is the first company to have perfected horizontal drilling to the point where a well can be completed. The French oil company worked jointly with the French Petroleum Institute in the research

HOW HORIZONTAL DRILLING BEATS DIFFICULT STRATA



Horizontal drilling is possible in difficult strata; water-bearing, gas-bearing and fault layers.

and application of this unconventional drilling technique and was supported by a grant from the European Community.

It overcame the technical problems that forced others to abandon horizontal drilling ventures by devising a measuring and guiding system to keep the drill horizontal for an extended stretch underground. The electronic measuring system used in Elf's horizontal drilling system was developed by Elf's Telecom subsidiary. "You have to know all the time exactly where you are going," explained M. Bosio. "You've also got to prevent the drill bit from dropping if you want to drill along a long horizontal line." To keep the drill

flat, EM has successfully used "packers" which are sent down the pipe and inflated underground with mud to plug any fissures or faults in the deposit. These rubber and metal packers help direct and maintain the pipe horizontal in the deposit. In the latest well at Casters-Lou, Elf had to turn the pipe like a snake inside the deposit around particularly hard rock formations while maintaining it flat all the time.

At Casters-Lou, Elf drilled 300 metres horizontally while at its Rospo Mare offshore field in the Adriatic it drilled as much as 600 metres horizontally.

"Extraordinary as this technical feat may be to an engineer like myself, to be able to sink, twist a pipe with great precision and then run it horizontally along a deposit, we also had to overcome economic difficulties," M. Bosio said. The conventional wisdom has been that horizontal drilling was hugely expensive. "About ten times more than a traditional vertical well," remarked M. Bosio. But Elf claims that its horizontal wells have cost it only about three times more than a conventional vertical well.

And even if it costs three times more than a vertical well, M. Bosio says as long as a horizontal well produces four times more than a conventional

well it has more than paid for itself. Indeed, horizontal drilling is especially adapted for narrow deposits, deposits prone to water invasion and structures with fissures. By drilling horizontally a well can reach oil that would otherwise not be extracted by the conventional method. Moreover, the horizontal well can be used to good effect to pump down into the deposit chemical substances to improve the recovery of crude. "I call it a mechanical method of enhanced recovery," says M. Bosio. "After steam injection, gas injection, chemical injection you now have the mechanical or horizontal drilling method designed to enhance production of a given reservoir."

For Elf, the big break came with its horizontal drilling experiment offshore in the Adriatic. Although Rospo Mare is a giant oil field with an estimated 800m tonnes of oil in place, it suffers from a major problem of water invasion. "Each time you drilled there, water would flood into the well. We resolved this problem with horizontal drilling and our well is now producing 15 times more than the vertical wells next door," M. Bosio explained. Elf took 71 days to complete its horizontal well at Rospo Mare penetrating the deposit for a length of 600 metres. The well has been producing recently at a rate of about 3,000-4,000 barrels a day. "We could produce more were it not for the state of the oil market," said another Elf official at Pau. The trouble is that the Rospo Mare crude is heavy (12-15 API) and there are no nearby refineries which can treat this crude economically at current oil prices.

The offshore well at Rospo Mare and now the successful completion of a new deep well at Casters-Lou have caused a growing interest in this technique among international and foreign oil companies. Standard Oil of Ohio (Sohio), the large U.S. oil company controlled by British Petroleum, recently sent two senior officials to visit Casters-Lou. Preussag, the West German oil company, has just become the first oil concern to sign a contract with Elf for horizontal drilling ventures in West Germany. "We are negotiating a horizontal drilling contract with the Chinese," added M. Bosio.

TELECONFERENCING

Plessey gains rights to U.S. video system

BY GEOFFREY CHARLISH

OBVIOUSLY DETERMINED to attack the European market in the newly rejuvenated area of teleconferencing, Compression Laboratories Inc. in California has given Plessey Office Systems exclusive UK distribution rights to its latest product, an international videoconferencing system called VIS 512.

CLI had been in some danger of missing the boat in Europe because its earlier systems were designed to U.S. standards. Shortly after the San Jose company's first announcements in Europe in the summer, a newly-formed Anglo-American company, GEC-Jerrold, revealed that it had developed equipment in the UK that could deal with European PAL pictures at 625 lines and 50 frames as well as the U.S. NTSC standard of 525 lines/60 frames.

The CLI announcement means that both companies can now offer systems able to provide automatic conversion to and from either picture standard, with digital transmission rates from 512 kilobits per second to 2,048 megabits per second. Even at 512 kb/s, acceptable pictures are obtained provided the picture content is stationary.

True international teleconferencing, in which businessmen in, say, the UK, Germany and the U.S. can confer by satellite, is not reasonable just yet without leaving their offices—as is now on the cards.

British Telecom has already

set up several experimental links to the U.S. and there are European trials in progress.

Both systems use the latest forms of picture data compression techniques allowing sharp colour pictures to be sent over standard international 2.048 Mbit/sec digital channels. Normal TV transmission requires much higher bandwidths and previous attempts to apply compression have degraded the picture.

Demonstrations by both GEC-Jerrold and CLI prove that colour pictures virtually indistinguishable from normal off-air broadcast quality are obtainable. For documents or graphics, a slow-scan technique is used to obtain all the data from a single TV frame, which can then be sent for "re-assembly" at very high definition at the other end—while the normal conference pictures continue to be sent.

Plessey Office Systems will distribute the VIS 512, an earlier system, the LSE, and also the portable Mini Conference System (MCS) from Compression Labs. In terms of installation, commissioning, and servicing systems complete with studio and camera facilities, it will be assisted by another UK company, Oceanics Communications, which specialises in turn-key system integration.

Meanwhile in the U.S., A.T. & T. Information Systems has agreed to purchase the CLI systems and shipments are planned to begin within weeks.

FACSIMILE SECURITY

Muirhead add-on unit

LIKELY to be of interest to banks, oil companies, government and military organisations with a need for secure document transmission is an add-on unit for the Mufax 7800 group 3 digital facsimile system marketed by Muirhead.

Developed in conjunction with Racal Comsec, the device, designated MA 4434, automatically enciphers the facsimile signals before feeding them to the telephone line, making it virtually impossible for an unauthorised receiver to decipher them without a sim-

ilarly programmed device at the other end.

The unit, which is compact and fully automatic, needs no operator intervention apart from entering the code "key," and its speed automatically follows the bit rate selected by the Mufax 7800. The sending speed depends on the line conditions perceived by the fax machine and can be 8.8, 7.2, 4.8 or 2.4 kilobits per second; to maintain picture quality the machine slows down if the line is bad.

More on 01-650 4888.

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Software

Rapport now for U.S. mini

AMERICAN minicomputer-maker Data General has become one of the hardware suppliers which will sell the sophisticated Rapport management software written by Logica in the UK.

Rapport is a system which allows all of an organisation's computer applications to be run on an integrated piece of software, or relational database. It comes with a powerful query facility—Rasql—and software to develop on-line applications known as Rapbase.

Data General is free to distribute the latest version of the software everywhere outside of America. Rapport-4 is the latest release of the software which brings the report generation, screen format and application development options of Rapbase with it. More from Logica on 01-637 9111.

Peripherals

Tandy's 7-colour kit

A SEVEN-COLOUR printer for use with microcomputers is available from Tandy for £499.

The CGP-220 ink-jet printer from Tandy can take colour text or graphics off a microcomputer screen and print them out in black, red, green, yellow, blue, magenta and violet.

A screen print facility for the TRS-80 colour machine allows multi-colour printing from any graphics program, but this feature would need to be specially written for another make of microcomputer. More from Tandy on 021-454 4124.

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NOTICE is hereby given to persons entitled to Bonds that payment of the final instalment of U.S. \$4,250 per Bond is due to be made to Zentralsparkasse und Kommerzbank, Wien on 15th November, 1983 ("the due date") in immediately available funds. Accordingly:

(A) any such person whose holding of partly paid Bonds is shown in the records of CEDEL S.A. ("CEDEL") must either: (i) authorise CEDEL, not later than its opening of business on 15th November, 1983, to debit his account with CEDEL on that day with the amount due in respect of his holding of partly paid Bonds shown in CEDEL's books at its close of business on 14th November, 1983 at the rate of U.S. \$4,250 per Bond; or

(ii) make payment of the amount due in respect of his holding of partly paid Bonds, at the rate of U.S. \$4,250 per Bond, in same day funds to the account of CEDEL at The Chase Manhattan Bank, N.A., at 1 Chase Manhattan Plaza, New York, New York, 10081, Account No. 001-1573714, in favour of Zentralsparkasse und Kommerzbank, Wien Instalment Collection Account, by not later than 10.00 a.m., New York time, on 15th November, 1983.

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19th October, 1983

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UK COMPANY NEWS

Brooke Bond gathers pace in second half

FOLLOWING AN advance from £18.92m to £20.89m at midway, profits at Brooke Bond Group accelerated in the second half of the year to June 30 1983, finishing the period £12.9m higher at £42.2m.

The directors of this tea, coffee, meat and timber group describe the 12 months as a "watershed" in the group's fortunes, predicting that the improvement will be sustained. They report that rationalisation has nearly been completed and core businesses—branded groceries, timber products and plantations—identified. These now have a clear strategy and development plan.

Turnover for the year fell from £953.7m to £913.7m but operating profits, including associates profit of £3.3m (£4.4m), rose from £56.5m to £68.6m. The taxable surplus was after lower interest of £18.4m (£21.5m), while the tax charge increased from £17.5m to £22m.

This left earnings per 25p share ahead from 5.22p to 7.77p and the dividend total is raised from 3.905p to 4.1p with a final payment of 2.85p net.

Below the line, there were minorities of £2m (£1.6m) and extraordinary debits of £13.2m (£2.4m).

These included a provision of £9.2m against the group's interests in Thailand. Because of continuing adverse trading conditions in that country it has been decided to reduce the scale of future operations substantially while continuing to trade at a lower level.

A further £5m was against costs of rationalising timber operations in Continental Europe and the rest of the charge consisted of provisions against the cost of closure or disposal of a number of small operations which were either peripheral to the group's main activities or not viable for the future.

HIGHLIGHTS

Lex considers the build-up of the rights issue queue and its implications for the equity market as a whole before moving on to the latest batch of third-quarter results from the U.S. banking fraternity. Closer to home the column examines the latest figures from Brooke Bond where profits for the full year are up from £35m to £48m. Paterson Zochonis produced pre-tax profits down 10 per cent to £26.8m in the full year to May 31. Finally the column reports on the latest public sector borrowing figures which, at least as far as the market is concerned, can be summed up in one word—bad.

UK profits increased by 31 per cent. With one or two exceptions, all companies increased their profits and the net gain was further boosted by less eliminations.

Brooke Bond Oxo again made a substantial contribution, achieving record profits and Baxters showed a material improvement over last year.

result of increased penetration of overseas markets and the rising trend in tea prices, together with record crops in East Africa, enabled the tea estate companies to make higher returns.

There was a small loss from ranching in Zimbabwe and Paraguay because of drought in the one country and floods in the other.

Good progress was made in Canada and in the Australian tea market, but fierce competition in the instant coffee market resulted in a fall in grocery profits in Australia.

Brooke Bond India achieved record profits. Rigid government price control in the tea trade against a background of rising commodity costs caused a heavy loss in Brooke Bond Pakistan.

On a CCA basis group pre-tax profits showed an advance from £17.7m to £20.8m.

See Lex

London Shop Property in £10m cash call

London Shop Property Trust is raising almost £10m net by way of a rights issue of £10,167,564 9 per cent (second series) convertible unsecured loan stock 1994-1999 at par.

The proceeds are to be used to take advantage of further property investment opportunities.

The offer will be £2 of new convertible stock for every seven ordinary shares of 25p each. Holders of the existing 6.5 per cent convertible unsecured loan stock will be offered £240 of new convertible for every £700 of 6.5 per cent convertible. Holders of the

Dividends announced Page 24

existing 9 per cent convertible unsecured loan stock 1994-1999 will be offered £134 of new convertible for every £700 of 9 per cent convertible held.

The new convertible stock will be issued for cash at par, payable as to £20 per cent by 3 p.m. on Thursday November 10, and as to the remainder by March 7, 1984. The conversion rate is 67 ordinary shares per £100 nominal of new convertible. Based on the issue price of par, this is equivalent to an effective conversion price of approximately 149p per share.

The first conversion period for the new stock will be April 1 to April 21 1987. With effect from the end of the conversion period in 1986, applicable to the 9 per cent convertible stock, the new stock will be identical to, and form a single series with, the 9 per cent convertible stock.

P & E Machinery
The petition to wind up P & E Garden Machinery was dismissed by consent in the High Court on Monday.

Growth at Harrisons and Crosfield—profit above £21m midway

IN THE first half of 1983 Harrisons & Crosfield has made pre-tax profits of £21.26m, including the contribution from its 30.3 per cent holding in Harrisons Malaysian Plantations. The directors are expecting a satisfactory outcome for the year as a whole, and are raising the interim dividend from 7.5p to 8p net per share.

Profit for the corresponding half year to June 30 1982 amounted to £16.29m and included results of Harrisons Malaysian Estates and certain other plantation companies as subsidiaries. On September 30 1982 the group disposed of a 50.5 per cent interest in HME and retained a 30.3 per cent holding in the successor company, HMP. It received cash of some £146m.

In plantations the operating profit before interest came to £2.81m (£10.39m), showing the effect of HMP and certain other companies being dealt with as associated companies. Against this there was a material benefit to the finance side (where profit was up from £248,000 to £4.1m) arising from income on the proceeds of the sale of part of the plantations interests.

Profits of £5.51m (£3.09m) were achieved by the chemicals and industrial division and the increase was partly attributable to the operating economies made in the previous year, and also to the general improvement in trading activity. The better trading environment seems likely to be maintained in the second half.

For timber and building supplies the increase in profit (from £2.84m to £5.94m) must be measured in the light of the subnormal figure in the first half of 1982 when the severe winter took its toll. The 1983 figures, however, which are being maintained, represent a "material increase" in trading levels and profitability.

Duller conditions prevail in a number of overseas markets, hence the somewhat lower profit (£2.35m) against £2.25m of general trading division. Property disposals came to £199,000 (£1.95m) and related companies' contribution totalled £3.97m (£2.11m), including the share of HMP.

After tax £10.4m (£7.3m), minorities £171,000 (£1.64m) and preference dividend £60,000 (same), the earnings available for the ordinary share came out at £10.62m (£7.29m), or 17p (11.7p) per share.

For the year 1983 the group made a profit of £44.47m before tax, and earnings for the ordinary share were £27.57m, or 44.3p per share. The dividend total was 51p.

comment
Although divisional comparisons suggest that trading is somewhat weaker, there are no great surprises in Harrisons and Crosfield's first-half results. With only one exception—a general trading—there is a broad-based recovery against a backdrop of the part-sale of HME to the Malaysian government, which took the expected bite out of the plantations division. However, this was offset by the useful inflow of investment income from the £146m proceeds, which still have to find a suitable home. Chemicals is starting to feel the benefit of past economies and an improvement in trading activity, while the home-based increase in housing starts no doubt filtered through to the timber and building supplies businesses. Higher commodity prices are pushing up plantation profits, all of which points to an even better second half, perhaps £62m for the full year. At that level the fully-taxed p/e is around 20 at 712p, down 25p. The shares look cheap, especially as all that spare cash makes a good dividend payout likely.

Ibstock back in the black and set to beat record £5m

IN REPORTING a swing back into profit, Mr Paul Hyde-Thomson, the chairman of brick manufacturer, Ibstock Johnson, says this is the first proof of the greatly-improved trend in its business. It reflects the accelerating performance in the UK, the turning point in the U.S., and the disposal of its Dutch business.

He says favourable market factors are strengthening its businesses both in the UK and U.S. Whereas in the second half of last year it reported a small loss, he expects the second half to show a profit substantially above previous expectations, leading to pre-tax profits for 1983 in excess of the previous best of £5m.

Pre-tax profits for the first six months were £1.62m against losses of £1.97m. The shares division, however, fell into the red with losses of £146,000

against profits of £399,000.

The interim dividend is raised from 1.5p to 1.75p, and the board expects the final dividend to be increased at least pro rata to last year's 3p which was lost when losses were £1.41m. Earnings per 25p share were 3.41p against losses last time of 5.63p.

The interim has been increased in the light of the expected profit for the full year and the prospect for further major growth next year.

The UK subsidiary, Ibstock Building Products, is achieving the substantial increase in profits anticipated in the last annual report. Profits at the trading level for the first half improved from just under £2m to over £5m.

He says profits are continuing to increase and order books are well balanced and of good quality.

Last December, Ibstock and London Brick agreed terms of a merger to be effected by an offer

of £287,000.

The chairman says that since the sale of the Dutch business, and with buoyant trade in the UK, cash flow has improved considerably. The company expects this trend to strengthen so that it can not only meet the requirements of the group's capital investment programme, but also achieve a significant reduction in group borrowings by the end of 1984.

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Last December, Ibstock and London Brick agreed terms of a merger to be effected by an offer

by London Brick for Ibstock. A month later, Redland made a rival offer, but in April decided not to pursue its bid.

On August 17, the Monopolies and Mergers Commission gave the "go-ahead" to London Brick, but after making an improved offer a week later, Ibstock Johnson said the new terms were not acceptable. In the absence of a recommendation, London Brick decided not to proceed with the offer.

comment
In August, London Brick turned its back on Ibstock Johnson because its market price had out-ran the offer over the course of a Monopolies reference. But what now? Even with American losses of £1m Ibstock should clear £5m pre-tax in 1983 with little difficulty. LB might have missed its chance to capture Ibstock with its profits down but

it will take London Brick a lot of money and a lot of time to supplant Ibstock with a green field development of its own.

And now London Brick has the look of the hunted rather than the hunter. Hanson Trust has built up a 9 per cent stake in LB and no matter what Hanson says about an "investment" the danger of getting going. A takeover of Ibstock would be ideal. The Monopolies Commission has given such a deal of green light and surely any attack by Hanson on combined London Brick-Ibstock interests would run foul of the Commission. Yet as a defensive play a bid runs the danger of inviting Hanson to immediately play its hand.

Commercial logic might again take a back seat to bid tactics in the building materials sector. Meanwhile Ibstock at 152p is probably a good 50p below a realistic offer price.

Firmen & Sons down halfway

A sharp reduction in pre-tax profits from £235,000 to £102,000 is reported by Firmen & Sons for the first half of 1983. The directors anticipate that results for the full year will compare with the £312,000 achieved in 1982.

The net interim dividend has been held at 1.5p after earnings per 25p share were cut from 4.34p to 1.92p.

Turnover of this maker of badges, buttons and military ornaments, fell from £1.36m to £1.04m.

London and Northern tops £4m halfway

WHILE TURNOVER decreased from £107.33m to £80.51m due to disposals at the end of 1982, pre-tax profits of London and Northern Group rose from £3.51m to £4.06m for the first half of 1983.

The profits included a proportionate pre-tax contribution of £232,000 from United Medical Enterprises (UME) for the eight days from its acquisition on June 23 1983. UME earned a further £5.05m, prior to acquisition, in the period.

On prospects, Mr J. H. M.

Mackenzie, the chairman, says that profits for the six months are expected to show an increase over the total profits earned by all constituent companies of the group, including UME, in the first half.

For the whole of 1982, taxable profits totalled £9.81m (£8.63m). As forecast in June at the time of the rights issue, the net interim dividend is raised to 1.7p (1.5p) on the increased capital. A final at least maintained at 2.5p per share has also

been projected. After tax, from £0.88m to £1.41m—last year's lower charge resulted from capital allowances and tax losses brought forward—and minorities of £327,000 (£236,000), attributable profits were unchanged at £2.34m.

Earnings per 25p share rose marginally from 4p to 4.1p.

Mr Mackenzie says that in construction the second half results will reflect the improvement in weather conditions in the UK, enabling the group's contracting and housebuilding

operations to catch up on some of the delays caused by the wet spring. New building and civil engineering contracts valued in excess of £25m have recently been awarded to these companies, while overseas operations continue to make an important contribution to results.

On the building products and services side, there has been a marked improvement in the demand for building products while confirmed orders for Weatherseal double glazing have increased by over 50 per cent.

comment
The market had expected rather better from London & Northern than a 16 per cent increase in pre-tax profits, so the shares slipped 7 1/2p to 70p. Take out UME's first contribution and the profits advance slows to 9.6 per cent, the bulk of which was accounted for by the UK housebuilding division. The share price may also reflect some anxiety about L&N's recent diversification into medical services, for UME is almost certain to lose a Saudi hospital management contract—currently accounting for 15 per cent of the subsidiary's profits—to a local company. Clearly, the group can give no firm guarantee about the security of its other Middle Eastern contracts, although it says a number of new ones will be placed shortly. The statement implies an increase for the year to around £13.5m pre-tax, against £9.81m. However, a recovery in the UK housing market could make that more like £8m. Assuming the maintained final dividend, the prospective yield on the enlarged capital is 8.3 per cent.

The Fleming Japanese Investment Trust plc

The company's policy is to specialise in investment in Japan aiming to achieve the best overall return to shareholders which will be attained largely through capital growth.

Highlights of the year to 31st July	1983	1982	%change
Total Assets	£60.6m	£36.3m	+67.2
Net Asset Value per Ordinary Share	389.5p	230.9p	+68.7
Ordinary Share Price	356.0p	173.0p	+105.8

97% of total assets are now invested in Japan. The expectation of strong corporate profit performance together with the outlook for the Japanese economy, currency and stockmarket over the next year justifies the company's geared exposure to the market.

Copies of the Annual Report and Accounts are available from Granby Registration Services, Boring House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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The Notes, issued at 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary Global Note.

Interest will be payable annually in arrears on 8th November, commencing 8th November, 1984.

Full particulars of the Notes and of A/S Eksportfinans are available in the Extel Statistical Service and copies may be obtained during usual business hours up to and including 1st November, 1983 from the Brokers to the issue:

Strauss Turnbull & Co.,
3 Moorgate Place,
London EC2R 6HR.

19th October, 1983

BIDS AND DEALS

Taubman now holds over 90% of Sotheby's

BY CHARLES BATCHELOR

MR ALFRED TAUBMAN, the multi-millionaire, announced yesterday that he holds more than 90 per cent of the ordinary shares of Sotheby's—a level at which he can compulsorily purchase the remaining equity.

At the same time Mr David Ward, the Taubman appointee who has been put in day-to-day charge of Sotheby's, wrote to its staff to reassure them that all the company's directors will remain in office, and to outline the new management structure.

Lazard Brothers, the merchant bank which is advising Taubman UK Investments, said acceptances have been received from the holders of 5.94m shares or 50.5 per cent of the ordinary equity, taking the total Taubman holding to 10.5m shares or 82.8 per cent of the equity.

Taubman UK has also received acceptances from the holders of 2.5m preference shares or 88.2 per cent of that

class of equity—just below its stated target of 90 per cent. It previously held no preference shares.

Both ordinary and preference offers have been extended until further notice. An extraordinary general meeting of shareholders held on Monday approved the deal.

Taubman UK originally offered unconditional when it gained control of 50 per cent of the ordinary equity.

It reached that level on October 7. The delay in attaining the 90 per cent level resulted from UK institutions waiting until October 18, the original first closing date, before accepting, and technical delays in gaining approval from the holders of American Depositary Receipts, Lazard said.

In his letter to staff, Mr Ward said special task forces would be designated from time to time to study subjects which might develop into new or expanded areas of business, such as

insurance or finance. He gave no further details however.

There are no changes planned in the expert staff, only in the way in which we organise ourselves," he wrote. "Similarly, we expect to make no changes in the traditional business of Sotheby's, except those that strengthen it and promote its continued development."

The top layer in the new Sotheby's management is the group board of directors, meeting quarterly, alternating on both sides of the Atlantic. An executive committee, meeting eight times a year, will set international operating policy while a co-ordinating committee, meeting six times, will promote international business efforts.

The ultimate Taubman aim is to buy in all the outstanding Sotheby's shares—a process which would take about six months—and absorb it into his private business empire. The Taubman bid is worth 700p per Sotheby share, valuing the entire group at £87.2m.

Maxwell stake in Waddington at 29.9%

By David Dodwell

MR ROBERT MAXWELL'S Pergamon Press group, an associate of the British Printing and Communications Corporation, yesterday revealed it has made fresh purchases of John Waddington shares, lifting the two associates' combined stake to 29.9 per cent.

The announcement comes barely a month after the collapse of BPCC's £18m bid for John Waddington, the Leeds-based printing and games group. It lifts Mr Maxwell's stake to the highest level possible without triggering a full bid for the company.

Since takeover rules forbid a fresh bid for a company within 12 months of the failure of an initial bid, this brings Mr Maxwell's share buying to an end for the near future.

Mr Maxwell's holding is worth about £3m. He insisted yesterday that he intended to hold on to this stake: "There is no question of anyone buying it," he said.

Since the bid failed, Mr Maxwell has tried in vain to attract an invitation onto the Waddington board. As a holder of 29.9 per cent of the company's shares, he feels this would be appropriate. His financial adviser, Henry Ansbacher, is understood to be drafting a letter to the Waddington board outlining this view.

A spokesman for John Waddington said yesterday that the company saw no grounds on which Mr Maxwell should be invited to join the board. He conceded that the existence of such a large shareholding in one outside shareholder's hands made the company vulnerable: "However, we are no more vulnerable now that we were on the day before the bid from BPCC collapsed," he said.

A consortium of investors has rejected a £100,000 offer of new capital into Surrey Property Mail. The consortium has been put together by Hill Samuel and Co and includes Mr Robert Maxwell as the major individual subscriber.

Surrey Property Mail publishes the Surrey Mail and its sister papers, the Cranleigh Mail and the Haslemere Mail; together they are the largest local free distribution group of newspapers in South West Surrey, with a circulation of some 50,000 copies. The new capital will support further expansion of the papers.

Norcross edges towards its UBM target

As the bitter battle for control of UBM Group, one of the largest builders' merchants, entered its final phase, Norcross was able to buy further tranches of some 450,000 UBM shares yesterday to add to the block of 292,000 shares purchased on Monday.

That brings its shareholding up to 41.5 per cent which, with acceptances received and not withdrawn, means that Norcross, bidding £75m for UBM, can probably speak for between 41 and 42 per cent of its target.

A third party entered the market for UBM shares yesterday morning, briefly driving the price up to 125p against the Norcross cash offer of 125p per share, but by the afternoon the bidder was re-established as "best buyer."

It has, however, so far failed to move either Equity Capital for Industry or the funds controlled by Morgan Grenfell which command an aggregate stake of 20 per cent in UBM and are not expected to make a final decision until today.

UBM has used newspaper comment to highlight its case for independence but, following an approach from the Takeover Panel, has dissociated itself from press forecasts. No such reports can be used in takeover battles, the Panel stressed, unless the principals are prepared to corroborate or substantiate them.

Gerni Sales

General Sales and Service of Martlesham, Suffolk, has asked us to point out that it is the wholly owned British subsidiary of Maskinfabrikken Gerni of Denmark and the sole distributor of Gerni hot and cold water pressure cleaning machinery in the UK.

The marketing of the Gerni range is unaffected by the arrangements reported in Saturday's Financial Times concerning the proposed purchase of Comerford, the UK agent for Danclean machinery, by Arrow Chemical.

Garnar Booth

Acceptances totalling 1.29m (70 per cent) have been received in respect of the 1.84m shares offered by Garnar Booth in a recent one for four rights issue.

The shares not taken up have been sold and the proceeds, approximately 0.6p per share, will be distributed pro-rata among the provisional allottees originally entitled.

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Harrisons & Crosfield

INTERIM STATEMENT

(UNAUDITED)

	1983 Six Months to 30th June £'000	1982 Six Months to 30th June £'000	1982 Year to 31st December £'000
Group profit before interest and taxation	25,278	23,399	59,093
Group profit before taxation	21,255	16,289	44,467
Group profit after taxation	10,855	8,989	29,945
Earnings for Ordinary shareholders	10,624	7,292	27,573
Earnings per Ordinary share	17.0p	11.7p	44.3p

Results and Prospects

The Plantation Division's profits for the half year are affected by Harrisons Malaysian Plantations Berhad and certain other companies now being dealt with as related companies; against this there is a material benefit to Finance arising from income on the proceeds of the sale in the second half of last year of part of the Group's plantation interests. Crops suffered from the effect of a prolonged drought and prices were depressed for most commodities in the early months. Crops are now higher, markets have since improved considerably and current prices augur well for better results in the second half of the year.

The higher profits achieved by the Chemical and Industrial Division are attributable partly to the operating

economies made in the previous year and also to the general improvement in trading activity. This better trading environment seems likely to be maintained in the second half of the year.

The performance of Timber and Building Supplies Division must be measured against a subnormal figure in the first half of 1982, when profits suffered from the severe winter of 1981/82. The 1983 figures, however, which are being maintained, represent a material increase in trading levels and profitability.

Duller conditions prevail in a number of overseas markets, hence the somewhat lower figures of General Trading Division, but for the Group overall, we expect a satisfactory outcome for the year as a whole.

Interim Dividend 8p per Ordinary share

Principal Activities

	1983 Six Months to 30th June £'000	1982 Six Months to 30th June £'000	1982 Year to 31st December £'000
Plantations	2,812	10,391	21,405
Chemicals and Industrial	5,513	3,085	5,379
Timber and Building Supplies	5,944	2,839	7,844
General Trading	2,326	2,734	5,845
Finance	4,612	248	3,926
Property disposals	199	1,993	10,068
Operating profit	21,406	21,290	54,467
Related companies	3,872	2,109	4,626
Group profit before interest and taxation	25,278	23,399	59,093

NOTES

1. Included in the comparative figures for the six months to 30th June 1982 are the results of Harrisons Malaysian Estates PLC, ("HME") and certain other plantation companies as subsidiaries. Under the Scheme of Arrangement referred to in the Directors' Report for 1982 the Group disposed of a 50.5% interest in HME on 30th September 1982 retaining meantime a 30.3% interest in HME's successor company, Harrisons Malaysian Plantations Berhad ("HMPB") and received cash of approximately £146 million. In the six months to 30th June 1983 the Group's share of the results of HMPB is included with related companies.

2. The comparative figures for the year ended 31st December 1982 are an extract from the full accounts for that year which have been filed with the Registrar of Companies and on which the auditors gave an unqualified opinion.

HARRISONS & CROSFIELD PLC, 1-4 GREAT TOWER STREET, LONDON EC3R 5AB.



Evered takes control of Hawkins

Evered, Midlands-based group specialising in non-ferrous strip for the electronics and communications industries, yesterday declared unconditional its £3.8m bid for Hawkins and Tipton, loss making Sussex rope-maker.

Following fresh purchases both in the stock market and outside, Evered and its financial adviser Samuel Montagu revealed yesterday that they owned 49.4 per cent of Hawkins and Tipton. This was raised a week ago to 44p, the present bid level. It claimed it could inject more dynamic management.

Evered is run by Mr Raschid Abdullah and his brother Osman, two Malaysian businessmen who aim to expand the group—by acquisition—to be a diversified industrial holding company.

Mr Raschid Abdullah said yesterday that he intended to visit Hawkins and Tipton within the

next few days "to outline plans." He said he would be looking to existing executive management "to assist in the company's future growth." In the year to the end of August 1982, Hawkins lost £700,000 before tax. In its recent defence document, it claimed profits to the end of August this year of £98,000.

Two major shareholders in Hawkins have still to accept the Evered offer. They are Equity Capital for Industry (ECI), which holds 10 per cent, and Sun Life, which has a 7 per cent holding. Hawkins shares ended the day unchanged at 44p, while Evered shares jumped 5p to close at 117p.

More specifically, he is looking for a 20 per cent return on capital from his industrial businesses—and this aim was being frustrated because the lower returns typical of property investments were dragging down the averages of the overall group.

Caparo Properties has begun life in the same acquisitive style of its parents. Since it was created in September, it has built up a 14.22 per cent holding in Parces Estates. With an asset value of 40p a share, its share price ended unchanged yesterday at 33p.

Caparo Industries hives off property interests

BY DAVID DODWELL

Caparo Industries, the acquisition-minded steel stock-holding and engineering group, headed by Mr Swraj Paul, yesterday completed the sale of its 75 per cent stake in Caparo Properties.

Shareholders yesterday approved an arrangement in which Caparo Industries offered its shares to existing shareholders at a price of 32p a share. A total of 573 shareholders applied for shares, but Mr Paul will retain control of Caparo Properties through a 57 per cent holding by his private holding company, Caparo Group.

The sale will raise just over £2m for Caparo Industries. The demerger arises from a long term plan to hive off Caparo's property interests which began to take shape in February with the purchase, for £2.5m, of the loss-making E. Austin Group.

Since acquiring E Austin, Mr Paul has transferred Caparo's property interests—estimated as worth £3.6m—into Austin, and backed Austin's fork-lift truck business into Caparo Industries. The reorganisation has been completed with the change of Austin's name to Caparo Properties.

Peek stifles bid rumours

Peek Holdings, Liverpool-based grain and animal foods group, moved yesterday to defuse market rumours that it might receive a takeover approach.

The board said it knew of no reason for the recent activity in the shares and no bid approach

had been received. Its shares fell 5p to 35p in response to this statement.

Peek recently announced an operating loss of £56,000 in the six months ended June 30 1983 against a profit of £75,000 on turnover of £2.43m (£2.38m).

Courtaulds joint venture in France

British Cellophane, the packaging subsidiary of Courtaulds, has agreed to form a 75/25 per cent joint venture with Rhone-Poulenc Films to take over the French company's polypropylene packaging film activities.

RFF is part of the Rhone-Poulenc SA group and operations are at Mantes near Paris. The agreement is planned to become effective from January 1, 1984.

The programme follows British Cellophane's recently announced expansion plans at Swindon, Wiltshire, which will raise polypropylene packaging film capacity from 11,000 tonnes to 25,000 tonnes a year.

Under the agreement, Courtaulds will acquire Rhone-Poulenc's 25 per cent stake in British Cellophane.

The total transaction, including the already announced £22m programme at Swindon, will increase Courtaulds' investment in British Cellophane operations by over £30m.

The agreement also provides for a 50/50 per cent joint venture with Rhone-Poulenc in France to market coextruded polypropylene and cellulose film products of RFF.

Hepworth/Steelley

An extension of time has been allowed for the Monopolies and Mergers Commission to report on the proposed merger between Hepworth Ceramic Holdings and Steelley. Following representations from the Commission, the Secretary of State for Trade and Industry, has agreed that the reporting period for the reference should be extended to February 9 1984.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the ordinary shares of Edinburgh Fund Managers plc in the United Securities Market. It is emphasised that no application has been made for the shares to be admitted to listing. A proportion of the shares being placed are available to the public through the market.



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£1,000,000

in ordinary shares of 5p each

Issued and
fully paid
£750,000

The business of Edinburgh Fund Managers plc and its subsidiaries ("EFM") is international fund management. Funds under management are over £430 million of which some 44 per cent are invested in Japan. EFM's specialist Japanese funds, Crescent Japan Investment Trust, New Tokyo Investment Trust, Crescent Tokyo Fund and Edinburgh Exempt Japan Fund have consistently outperformed most comparable specialist funds managed in the United Kingdom.

Information regarding EFM is available in the Extel Statistical Services and is also contained in the placing memorandum. Copies of the placing memorandum may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 2nd November 1983 from:

Noble Grossart Limited
48 Queen Street, Edinburgh EH2 3NR
and
17 Lincoln's Inn Fields, London WC2A 3ED

Phillips & Drew
120 Moorgate
London EC2M 6XP

19th October 1983

Brooke Bond Group
Year to 30th June 1983

Highlights of the Year

* Operating profit	+	12%
* UK operating profit	+	31%
* Profit before tax	+	37%
* Earnings per share	+	49%
* Dividend	+	5%

	1983 £m	1982 £m
Operating profit	63.6	56.8
Profit before tax	48.2	35.3
Earnings	24.2	16.2

Extract from the Chairman's Statement to be posted to shareholders on 7th November 1983:—

"The major highlight is clearly the improvement in our financial performance. This is not in my opinion an unsustainable improvement and reflects the point that 1983 marked a watershed in the group's fortunes. The process of rationalisation has now nearly been completed. We have identified our core businesses—branded grocery products, timber products and plantations for each of which we have developed a clear strategy and development plan. If interest rates reduce and the UK in particular continues to emerge from the long period of recession I can foresee continued improvement in the group's performance."

The directors recommend a final dividend of 2.85p per share. This, together with the interim dividend of 1.25p per share declared in March will make a total net dividend of 4.1p per share.

This is an increase of 5% on the rate paid in the previous year and is payable on the same share capital.

If you wish to have a copy of the 1983 Annual Report, please complete the coupon and return to:

The Secretary,
Brooke Bond Group plc,
Thames House, Queen Street Place,
London EC4R 1DH.

Name.....

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UK COMPANY NEWS

Walter Lawrence P.L.C.

Interim Statement
(unaudited)

	6 months to 30 June 1983 £000	6 months to 30 June 1982 £000	Year to 31 December 1982 £000
Turnover	38,282	31,896	68,316
Profit before taxation	791	712	2,236
Earnings per share	14.3p	13.0p	40.5p
Dividends per share	3.0p	2.75p	9.3p

"The Group is on course to achieve its budgeted profit for the year."

J.A.B. Redgrave, Chairman

Walter
LAWRENCE

Construction Housebuilding
Manufacturing and
Engineering

Castle (GB)
better than
expected
at £1.19m

PRE-TAX profits of Castle (GB), kitchen furniture and bathroom fittings distributor, rose from £202,000 to £1.19m for the year to July 31 1983. This compares with the forecast of not less than £1.1m made when the company joined the Unlisted Securities market last May.

The directors report that Castle Kitchens made a profit of £1.33m against a projected £1.25m, while the expected loss of £150,000 for Castle Bathrooms was in the event reduced to £133,000.

Group sales improved from £10.16m to £13.91m. After tax of £513,000 (£295,000) the net balance was £279,000 (£207,000) for earnings of 6.25p (£5.75p) per 25p share. As predicted, the dividend is 0.6p net.

Retained profits came through at £506,000 (£538,000) after the cost of distributions £113,000 (£89,000). The directors say that the initial reaction from customers at new product previews has been extremely favourable and prospects for 1984 are "most encouraging."

Imtec placing price pitched at 91p

BY DOMINIC LAWSON

DESPITE THE sustained sluggishness now being experienced in the equity market, the rush of new companies on to the Unlisted Securities Market seems to be unaffected. The latest to make the move from private to public is Imtec Group, in a placing of over 24 per cent of its equity by brokers EB Savory Milin, worth almost £2.2m.

A total of 2,418,274 shares are being placed at 91p each, a price which is thought to be well below that originally planned, before share prices generally started to fall back.

Of those shares 1.74m are new shares being subscribed, and the remainder are being sold by the directors and other shareholders. The majority of shares will continue to be held by directors and their families. In particular, the chairman, Mr Gerald Frankel, and his family will hold over 42 per cent of the post placing share capital. The market

capitalisation of Imtec at the 91p placing price is £2.1m.

The Imtec Group's principal activity is the design, assembly and supply of micrographic products, printers, and cameras, which enable the user to commit information to microfilm for storage and later retrieval it for inspection, reproduction and further reproprocessing.

Imtec is diversifying into computer based products which store information in digital form. It has designed and supplied a computer aided retrieval system, and also markets a low-cost computer aided design system.

Imtec designs, produces and markets its products for the design and drawing office. It does not compete actively in the mass market of office copiers.

The group was formed in 1978. In the five years to March 31 1983 turnover and profits have grown from £3.3m to £9.4m, and

from £325,000 to £1.1m respectively. In 1982, pre-tax profits fell from £249,000 to £221,000, as Imtec incurred costs in expanding its U.S. business.

At the placing price Imtec is on a fully taxed historic multiple of 20, a figure which comes down to 11.6 on actual tax payable. Both figures include an additional £160,000 of profits, representing the interest savings which would have occurred had the issue already taken place. The gross dividend yield at the placing price would be 3.3 per cent on the indicated dividend.

No profits forecast has been made, and no audit has been done on the interim period. However Mr Frankel said "interim figures are much better than we've ever had before."

● comment

The market does not look hungry for new shares at the moment, so Imtec Group's sponsors have engaged in some

last minute share price cutting, bringing down the actual multiple of Imtec's shares to around the FT Industrial average. That does not seem too demanding for a company with a reasonable profits record, operating in a growth area of the economy. Even so it would have been good to see a profits forecast from a company into the second half of its year. The reasons given—that sales are highly seasonal, and that the group is sensitive to exchange rate fluctuations—do not encourage the risk-averse investor. Nevertheless it would be very wrong to view Imtec as a high risk stock. It is in a very well developed—some would say fuddy-duddy—area of the information storage business, and it has shown inclination to step on the toes of the majors in the office equipment industry. If anything, the market would be surprised that this is a rather mature company to be joining the USM.

Hunting Petroleum £0.36m lower

PRE-TAX profits of Hunting Petroleum Services fell from £3.17m to £2.81m in the first six months of 1983. Turnover of this company, which was incorporated to acquire various oil and gas related interests of Hunting Associated Industries, Hunting Gibson and Hunting Holdings, rose from £87.6m to £115.13m.

Group trading profits were lower at £2.47m compared with £3.02m, but associated companies' profits improved from £144,000 to £234,000. After tax of £1.32m (£1.26m) and minorities of £481,000 (£200,000), attributable profits were down from £1.6m to

£1.01m. The interim dividend is maintained at 2.25p net—last year's total was 8p from pre-tax profits of £7.14m. Earnings per 25p share fell from 13.54p to 8.89p basic, and from 10.95p to 6.46p, fully diluted.

The directors say the results of Hunting Oilfield Services have been adversely affected by both the downturn in worldwide drilling activity and the costs of developing drilling and associated services.

There are, however, signs emerging of a slow but steady recovery in the drilling business, although it is likely to be 1984

before the benefit is felt. The UK workshop services have maintained their level.

Profits from the U.S. exploration activity of Mayflower Exploration are, as anticipated, below those of last year. The profits from Hunting Oil and Gas include an excellent contribution by Gibson Petroleum in Canada from both trading operations, and also from the resumption of operations by the Wascana Pipeline.

The directors anticipate that group profit overall for the second half will continue at a similar level to the first six months.

Whittington
Intl. recovers
to £109,000

Continued improvement in profitability and the quality of investment was shown by Whittington International Holdings for the first half of 1983. Profits before tax, recovered to £109,000 against £2,000 in the comparable period.

Pre-tax profits were struck after interest payments of £87,000 (credit £11,000) and last time included a profit of £5,000 on the sale of investments. Earnings per share came to 0.31p (0.02p and 0.07p fully diluted).

The company has a strong financial base from which to continue development in the UK and the U.S. The directors expect to make further commitments in both countries in the next six months.

Gross revenue expanded from £215,000 to £254,000.

The major American purchase of Parsippany Plaza, New Jersey, has proved very satisfactory. In the UK a shopping centre purchased in Belfast in November 1982 has benefited from a favourable rent review. Its rental yield on cost has risen to almost 15 per cent.

New Issue
October, 1983

This advertisement appears
as a matter of record only.

COMMONWEALTH OF AUSTRALIA
U.S. \$ 500,000,000

U.S. \$ 100,000,000 11¼% U.S. Dollar Bonds of 1983/1990
U.S. \$ 300,000,000 11½% U.S. Dollar Bonds of 1983/1995
U.S. \$ 100,000,000 11¼% U.S. Dollar Bonds of 1983/1998

Credit Suisse First Boston Limited	Deutsche Bank Aktiengesellschaft	Swiss Bank Corporation International Limited
Amro International Limited	Morgan Stanley International	Union Bank of Switzerland (Securities) Limited
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Bergens Bank A/S	Banque de l'Union Européenne	Barclays Merchant Bank Limited
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Cazenove & Co.	Bayerische Vereinsbank Aktiengesellschaft	John. Barenberg, Goslar & Co.
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Enskilda Securities	Delbrück & Co.	Den norske Creditbank
Enskilda Skandinaviska Enskilda Limited	DG Bank	Dillon, Read Overseas Corporation
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Groupement Privé Genevois S.A.	First Chicago Limited	Genossenschaftliche Zentralbank AG, Vienna
Hill Samuel & Co. Limited	Girozentrale und Bank der Internationalen Sparkassen Aktiengesellschaft	A.C. Goode & Co.
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Samuel Montagu & Co. Limited	Lazard Brothers & Co. Limited	McLeod Young Weir International Limited
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J.B. Wera & Son	Trinkaus & Burkhart	Westfälische Bank Aktiengesellschaft
	J. Vontobel & Co.	
	Westdeutsche Landesbank Girozentrale	
	Yamaichi International (Europe) Limited	

Brook Street cuts midway loss

A FURTHER reduction in pre-tax losses from £633,073 to £130,634 was achieved by Brook Street Bureau in the six months to June 30 1983, but there is still no interim dividend.

The directors say that although the current performance of this clerical and administrative staff agency is encouraging it would be premature to restore the interim dividend at this stage. In 1982 the company reduced

its full year deficit to £806,740 against £1.53m with a cut in second half losses from £536,287 to £173,657, and paid a nominal 0.1p (same) dividend.

The loss in the opening half of the current year, say the directors, arose from costs of reorganising overseas subsidiaries. This is virtually complete, they add, and probably the overseas operations as well as the UK will not be in loss in

the second half. UK operations broke even in the first half.

They add that profitability throughout the group continued to improve during the third quarter, and if it is maintained they foresee a modest profit for the year as a whole.

The loss per 10p share for the first six months emerged at 1.27p against 6.13p after tax of £317 (£1,000). Turnover for the period was £6.95m (£7.28m).

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

NEW ISSUE

October 14, 1983

2,250,000 Shares

Rooney, Pace Group Inc.

Common Stock

Price \$8 per Share

Copies of the Prospectus are obtainable in any State from dealers as may lawfully offer these securities in such State.

Rooney, Pace Inc.

Bear, Stearns & Co.	Drexel Burnham Lambert Incorporated
E. F. Hutton & Company Inc.	L. F. Rothschild, Unterberg, Towbin
Ladenburg, Thalmann & Co. Inc.	Prescott, Ball & Turben, Inc.
Amivest Capital, Inc.	Butcher & Singer Inc.
R. G. Dickinson & Co.	Doft & Co., Inc.
Gruntal & Co.	Hanifen, Imhoff Inc.
The Ohio Company	Institutional Equity Corporation
Raymond, James & Associates, Inc.	Rauscher Pierce-Reisnes, Inc.
Baird, Patrick & Co., Inc.	Robinson Humphrey/American Express Inc
Citiwide Securities Corporation	Comiteau, Levine & Co., Inc.
Crain & Co., Inc.	Coughlin and Co., Inc.
First Affiliated Securities, Inc.	Diehl, Speyer & Brown
E. G. Frances & Co. Inc.	Evans Llewellyn Securities, Inc.
B. J. Leonard & Company	First Albany Corporation
Morgan, Olmstead, Kennedy & Gardner Incorporated	First Equity Corporation of Florida
Quantum Capital Group Inc.	Gilford Securities Incorporated
RLR Securities Group, Inc.	Haas Securities Corporation
Starr Securities, Inc.	Malone & Associates, Inc.
Bankhaus Marcand & Co.	Manley, Bennett, McDonald & Co.
Capital Bank	Muller and Company, Inc.
Morgan Grenfell & Co. Limited	Richardson Greenfields Securities Inc.
	J. E. Sheehan & Company, Inc.
	Smith, Moore & Co.
	Weber, Hall, Sale & Associates, Inc.
	Wittow & Company, Inc.
	Banque de Paris et des Pays-Bas (Suisse) S.A.
	Compagnie de Banque et d'Investissements, CBI
	S. G. Warburg & Co. Ltd.

UK COMPANY NEWS

Further pension plan from L & G

Legal and General Group, the largest pensions company in the UK, is expanding its product range by marketing a new Money Purchase pension plan to go alongside its series of final salary schemes.

This new plan is primarily aimed at the small, recently formed company, where the management wishes to provide pension and life assurance benefits for its staff, but at the early stage of development cannot meet the cost liability of a final salary scheme.

The scheme would provide benefits on top of those given by the State and related scheme, in particular it would provide the lump sum death in service payments and retirement payments not available under the State scheme.

Employers have complete flexibility over the contribution payments. The plan operates on a with-profit system with the contributions being accumulated on a three-year yield basis. There is a guaranteed minimum yield of 4 per cent per annum enhanced by reversionary and a terminal bonus payments. The current bonus rates give an accumulation yield of 12.75 per cent.

It is intended to extend the plan to allow investment in unit-linked funds.

The plan avoids the early leaver problem, whereby an employee changing jobs has his pension rights devalued through inflation. Under this plan the preserved benefits of the fully-paid up fund continue to accumulate bonuses. If preservation does apply, the employee has his contributions returned with attributable interest and bonuses.

Edith edges up

After-tax revenue of Edith, an investment trust, edged ahead from an adjusted £11.2m to £11.6m for the half year to September 30 1983. The net interim dividend is unchanged at 0.5p per 25p share. Last year a total of 2.3p was paid from £2.2m revenue.

Unlisted investments in nine companies have been made during the six months, amounting to £1.5m.

In the period, £1.6m has been credited to investment reserve in respect of net gains realised on disposals of investments.

Paterson Zochonis profit fall less than expected

THE FALL in pre-tax profits from £28.8m to £26.8m reported by Paterson Zochonis for the year to May 31, 1983 was not as sharp as forecasted at mid-June by the company's analysts. Results for the first half of the current 12 months are likely to be higher than those for the corresponding period.

At halfway, when a decline from £13.1m to £12.9m was shown, the directors warned that the second half outcome was expected to show a small reduction on that of the first six months. In the event this result turned in at £13.5m compared with £12.9m.

The directors of this West African merchant and manager, now explain that the general downturn in Nigeria was less acute in its effect on group operations than had been expected.

Cussons in the UK, although severe, were brought under control more readily than had been expected.

Turnover for the year under review fell from £310.97m to £271.38m and operating profits declined from £25.88m to £20.58m. The taxable result included an exchange profit of £314.00m (£1.17m loss) and a £6.26m (£5.11m) contribution from associates.

After tax of £11.18m (£13.6m) the net balance came through at £15.7m (£12.3m) with earnings per 10p share at 29.6p (30.8p). The final dividend is 4.4p for a 4.75p (4.5p) net total.

This will cost £2.25m (£2.14m) which, after minority profits of £370.00m (£321.00m) and preference payments of £770.00m (same), leaves the amount retained at £11.8m.

Municipal Properties

An increase in attributable profits from £67,000 to £73,000 has been shown by Municipal Properties for the first half of 1983.

A surplus of £175,000 (£13,000) on the sales of properties and investments by the holding company has been credited to reserves.

Group turnover expanded from £179,000 to £214,000. The attributable surplus included gross profit of £58,000 (£40,000) on property sales by a subsidiary, and was struck after charges of £80,000 (same), including tax.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interim: British Homes Stores, City of Oxford Investment Trust, Duport, John Felton, Havelock, J. P. Marshall, Jessel, Tynan and Gillett, Marshall's Universal, Rock, Securities Trust, Scotland, Smith & Aubrey, Sun Life Assurance Society, TR North American Investment Trust, Telephone Rentals, Fife: Elec, Grosvenor, R. P.

FUTURE DATES
Interim: Oct 26
Aero: Oct 28
Clayton: Oct 29
De Vere Hotels and Restaurants: Oct 30
Ella and Goldstein: Nov 2
Henderson Group: Nov 2
Markbeach Securities: Nov 2
Westminster: Nov 2
Weeks Associates: Nov 2
Finale: Oct 25
Fairview Estates: Oct 25
Stimpson (S.): Oct 27
Stocks: Oct 27
Tyack (W.): Sons and Turner: Nov 4

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 9EB Telephone 01-621 1212

Over-the-Counter Market

1982-83	Company	Price Change	Gross Yield	P/E	Fully Paid
142	120	129	6.4	9.3	5.8
148	117	137	10.0	7.3	21.1
74	57	137	10.0	7.3	21.1
41	Armstrong & Rhodes	22	—	—	—
242	88	238	7.2	3.0	9.7
161	100	138	15.7	11.3	10.3
270	170	170	17.6	10.3	—
88	45	147	6.0	10.2	—
147	77	147	8.7	6.2	5.9
141	70	141	8.7	6.2	5.9
83	50	141	7.1	14.2	3.1
55	32	141	7.1	14.2	3.1
100	58	141	7.3	12.2	16.6
202	100	202	7.3	12.2	16.6
114	47	202	7.3	12.2	16.6
237	111	202	11.4	5.5	11.4
260	138	202	11.4	5.5	11.4
134	14	202	11.4	5.5	11.4
167	80	202	11.4	5.5	11.4
21	21	202	11.4	5.5	11.4
26	54	202	11.4	5.5	11.4
276	214	202	11.4	5.5	11.4

Licensed Dealer in Securities

Maunder's homes for good living

Preliminary Profit Statement for the year ended 30th June 1983

Turnover up 40%
Pre-tax profit up 40%

"We have made an encouraging start and look forward to satisfactory trading results for the year to June 1984"

John W. Maunder - Chairman

	1983	1982
£'000	£'000	£'000
Turnover	10336	7368
Profit before Tax	968	689
Taxation	216	19
Profit after Tax	752	670
Earnings per share	16.7p	14.9p

Copies of the 1983 Annual Report and Accounts will be obtainable from the Secretary from 1st November 1983.

John Maunder's Construction p.l.c.
Development House, 30 Crofts Bank Road,
Urmston, Manchester M31 1UH.

Walter Lawrence rises to £791,000

FIRST-HALF 1983 pre-tax profits of Walter Lawrence advanced from £712,000 to £791,000 and the board is confident that the group is on course to achieve its budgeted result for the year. For the whole of 1983, the taxable figure reached £2.24m, against a previous £1.84m.

Mid-term earnings per 25p share rose from 13p to 14.3p and the net interim dividend is being stepped up by 0.25p to 3p—last year's total was 9.3p.

Although the group's construction division improved its overall market share, the diminution in margins, persisting throughout the industry, led to a reduction in its contribution to group profits.

However, the improvement in the manufacturing division's activities continued and there was an overall profit for the period, as against a loss in the first six months of 1982.

The group's rebuilding activities have continued their upward course in terms of both production and sales, and turnover and profits increased despite planning delays.

The year half year took £64,000 (£59,000) leaving net profits up from £653,000 to £727,000. Because of the anticipated relief available to the group, together with tax losses brought forward from earlier years, no provision for mainstream Corporation tax is considered necessary. The dividend absorbs £150,000 (£138,000).

No provision has been made in the interim figures for any allocation that may be made under the Employee Profit Sharing Scheme.

J. Austin loss after £0.7m provisions

SUBSTANTIAL PROVISIONS for exceptional items turned an already reduced full year trading profit into a pre-tax deficit at James Austin Steel Holdings.

The company, which was acquired by Trumans Steel Group in June, incurred a taxable loss of £0.52m for the 12 months to March 31 1983 compared with a £0.2m surplus. At the trading level profits were down from £0.32m to £0.13m and the pre-tax result was struck after adding interest received of £48,000 (£77,000) and deducting exceptional items of £287,000.

Despite the loss the directors are recommending a final dividend of 1.2p (same when adjusted) which effectively makes an unchanged 1.87p total for the year.

A breakdown of the exceptional items shows stock write-downs of £275,000 (nil); reorganisation costs £120,000 (nil); redundancy and rationalisation costs £190,000 (£206,000).

Turnover for the year was down at £13.88m against £13.38m. Mr P. E. Rickitt, who took over as chairman following the completion of the Trumans bid, says that the year not only saw a continuation of the recession, but also increased pressure on

margins as a result of price cutting by some major stockholders. Similarly, he says, discriminatory pricing policies by steel producers have led to a collapse of stockholders' pricing structures.

However, he says, this was not solely responsible for the fall in trading profit. He believes that in a number of the company's activities better judgment and firmer control could have substantially improved the situation.

Looking to the future the chairman says that the UK customer base is increasing, overhead reductions have been made in many areas, and although demand remains poor the steps taken since May have provided a far firmer and more conservatively operated base for expansion.

He says that the company is now trading profitably and expects further benefits from the rationalisation programme.

For the year took £6.10m (£1,887) leaving a net loss of £523,562 (profit £187,941). Trumans has waived £126,530 in respect of dividends, and after payments to ordinary shareholders of £135,000 (same), the attributable loss emerged at £506,582 (£22,156).

Agricultural Holdings in profit

Having undertaken considerable reorganisation to eliminate unprofitable lines, reduce costs and improve margins, AGRICULTURAL HOLDINGS is able to announce a return to profits for the year ended June 30, 1983. It has made nearly £106m from turnover of £25.5m, against £730,000 loss on turnover of £30.6m in the previous year.

For the first quarter of the current year profits are in line with the expectations for 1983-1984, and the company is resuming dividend payments with an interim of 1p per £1 share, payable on October 24.

The group's interests include seed growing and distribution, electronic food sorting equipment, scientific instruments, motor car accessories, and the marketing of health food supplements.

The group's new airports division which became fully operative last January, is making good progress and has been incorporated into the subsidiary, More O'Ferrall International Advertising.

Tax amounted to £437,000 (£464,000). After extraordinary debits of £3,000 (£3,000) and preference payments of £14,000 (same) the attributable balance emerged at £558,000 against £566,000.

Angloval Group

Mining companies' reports - Quarter ended 30 September 1983

Hartbeespoort Gold Mining Co Ltd

Issued capital: 11 200 000 shares of R1 each

Quarter ended 30 Sept. 1983

Quarter ended 30 June 1983

Financial year ended 30 June 1983

Operating results

Gold

One milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

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Revenue

Costs

Profit

Prieska Copper Mines (Pty) Ltd (continued)

Financial

Despatches, which vary from quarter to quarter, are brought to account at their estimated realisable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.

Capital expenditure

There were no outstanding commitments at 30 September 1983 (30 June 1983: R nil).

Operating results

Gold

One milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

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Revenue

Costs

Profit

Loraine Gold Mines Ltd

Issued capital: 16 368 996 shares of R1 each

Quarter ended 30 Sept. 1983

Quarter ended 30 June 1983

Financial year ended 30 Sept. 1983

Operating results

Gold

One milled

Gold recovered

Yield

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

Costs

Profit

Revenue

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Costs

Profit

Revenue

Costs

Profit

Consolidated Murchison Ltd

Issued capital: 4 180 000 shares of 10 cents each

UK COMPANY NEWS

Humberside forecasts 'major turnaround'

THE postponement of several substantial orders contributed to Humberside Electronic Controls falling into loss in the year to May 31 1983, but Mr Peter McMaster, the chairman, forecasts that a major turnaround should occur in the rest of the year.

Year-end losses were £155,471 against profits of £237,996 for the 17 months to May 31 1982. No dividend is being paid against a nominal 0.1p last time.

Turnover of the group — its shares are traded on the Unlisted Securities Market — fell from £666,662 to £534,714. There was a nil contribution from sales machines against £235,000. Research and development costs totalled £213,694 (£102,600).

There was again no tax. In the previous 17 months, there were pre-acquisition profits of £97,662. Loss per 10p share was 1.21p (earnings 1.09p).

Discussions to reinstate some of the postponed orders have started. Sales of company machines have been slow, say the directors, but they believe that three machines will be sold within the aerospace industry at satisfactory prices during the year.

The current level of inquiry for rebuilding and retrofitting, particularly on the larger machine tools, is encouraging, and providing current progress is maintained, Mr McMaster is confident of a 'major improvement' in results for the current year.

Davies & Newman midway loss increases to £2.7m

AN INCREASE in aircraft hire charges and reduced contribution from the associates have led to a firm rise in the halfway loss of Davies & Newman Holdings, the shipbroker, ships' agent and Dan-Air airline operator.

The directors find it difficult to forecast the year's results, but say the summer season has been active and should help to compensate for the quieter winter seasons being experienced. The 1982 profit before tax came to £3,691.

In the half year to June 30 1983 the loss was £2.7m, against £1.7m, but the interim dividend is being effectively raised from 2.67p to 3p. Little change was shown in turnover, operating profit and depreciation which amounted respectively to £78.72m (£75.24m), £3.47m (£2.49m) and £2.22m (£2.4m).

After a tax credit of £1.44m (£808,000) and net loss for the period comes out at £1.33m (£235,000), equal to 23.95p (16.77p) per share.

In the shipbroking company tanker chartering and ships agency continued to perform satisfactorily, but dry cargo chartering and the sale and purchase business remained dull.

Davies and Newman Travel has increased its sales and the associate, Dan Smethway (oil drilling services) has continued to show satisfactory results.

In Dan-Air, leasing charges for aircraft covering a longer period than previously have added to the loss normally sustained in the first half.

After a tax credit of £1.44m (£808,000) and net loss for the period comes out at £1.33m (£235,000), equal to 23.95p (16.77p) per share.

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corr. for year	Total last year
James Austin Steel	1.2	Dec 9	1.2*	1.57*
Brook Street Bureau Int	Nil	—	—	—
Brooke Bond	2.85	—	2.86	4.1
Castle (GE)†	0.6	Jan 6	0.6	—
Davies & Newman Int	—	Feb 1	2.87*	3.89*
Edith	0.8	—	0.8	2.3
Firma & Sons	1.5	Nov 18	1.5	—
Harrisons & Crossfield Int	8	Dec 9	7.5	31
Humberside Elect	Nil	—	0.18	Nil
Hunting Petroleum Int	2.25	Nov 23	2.25	8
Imstock Johnson	1.75	Dec 9	1.5	4.5
Walter Lawrence Int	3	Jan 4	2.75	9.3
London & Northern Int	1.7	Dec 30	1.5	4
More O'Ferrall	0.9	Jan 3	0.88	2.96
Paterson Zochonis	3.42	Dec 6	3.17	4.75
Ramus Holdings	3.5	Nov 28	3.5	5

Dividends shown prices per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § For 17 months to May 31 1982.

comment

In the wake of the exuberance surrounding Davies & Newman's £3.7m profit last year, some outside estimates for this year's output ranged as high as £7m. Yesterday's figures for the seasonally less significant interim period — with an extra £1m of losses — brought an already twelfth market down with a bump.

The shares slid at one point all the way from 17p to 13p. The increased aircraft hire charges take much of the blame, and in large part this reflects the taking on of more aircraft in the previous period. The company points out that the fleet is currently fully booked for the winter tour season, but tour operators have been known to change their minds so all chickens are remaining resolutely uncounted.

Not only in Dan-Air, but across the board, from oil rig production to ship-crocking, D & N is operating on thin margins in cyclical businesses. However, although capital gearing is coming down to close to the 50 per cent mark, the company is not yet in the mood for further diversification to add some quality to earnings.

The maintained interim is on a capital increased by £1m earlier one-for-eight scrip. But it is too soon to be talking of a 10 per cent prospective yield on a share price of 142p. It is not for nothing that Davies & Newman's dividend is heavily biased in favour of the final payout.

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Ramus sales near £20m and profits pass £0.6m

A POLICY of geographical expansion and an aggressive sales and marketing stance have enabled Ramus Holdings to push up its sales from £13.83m to £19.22m and its profits from £225,000 to £821,000 in the year ended July 4 1983. The profit nearly matches the 1980-81 level.

The final dividend is 3.5p for a same-again total of 5p net. Waivers have been received from members representing some 70 per cent of the capital, and this will reduce the cost of the final to £46,566. Ramus is a member of the USM.

Mr Ernest Ramus, chairman, reports that sales of ceramic tiles and accessories have risen substantially, based on branded and Sumara own-brand products. And with the introduction of new ranges, both furniture and vinyl flooring have performed well. The new depots at Leeds and Exeter made major contributions, and this month a new 55,000 sq ft distribution and central warehousing depot has been opened at Redditch.

"We are creating a very strong base from which I am confident future developments and profits will stem," says Mr Ramus. In the first quarter of the current year turnover has risen yet again.

The interest rate for this week's issue of local authority bonds is 9½ per cent, unchanged from last week and compares with 9½ per cent a year ago. The bonds are issued at par and are redeemable on October 24 1984. A full list of issues will be published in tomorrow's edition.

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MINING NEWS

MIM Holdings makes a better start to 1983-84

BY KENNETH MARSTON, MINING EDITOR

NET EARNINGS of A\$8.98m (£6.1m) for the first quarter of the year to June 30 are reported by Australia's base metal-producing MIM Holdings. They compare with only A\$2.5m in the same period of last year and reflect better prices for copper, silver and zinc coupled with increased coal sales.

However, the latest earnings compare less favourably with the net return of A\$24.6m for the closing quarter of the year to last June when copper prices were climbing well and the group enjoyed substantial benefits from investment allowances, reports Leachlan Drummond from Sydney.

Adverse factors in the latest quarter included reduced sales of silver compared with a year ago, weaker lead prices and lower prices and sales obtained by the 40 per cent-owned Agnew mine in Western Australia.

MIM's costs have increased by 29 per cent to A\$17.8m in the latest quarter. This increase reflects interest charges on the heavy borrowings made in boosting coal operations as well as the high start-up operating expenses incurred on the group's expanded coal output. The latest quarter also suffered a tax charge of A\$1.1m compared with a credit of A\$1m a year ago.

Copper prices averaged about A\$1.750 per tonne in the last quarter but have since declined to some A\$1.600 which does not augur well for the current quarter's results. Silver and nickel prices have also fallen, but lead and zinc have improved.

The firming of the zinc price is of particular importance to MIM which last year acquired a half-share in Metallgesellschaft's West German electrolytic zinc plant and a one-third share in the latter's zinc products plant.

MIM has also increased its lead production capacity. Last year agreement was reached for the output of crude lead, surplus to the requirements of the UK refinery, to be toll-melted in Japan for sale in Asia. First sales from this source were achieved in the latest quarter.

The latest results were considered to be much in line with expectations and in London yesterday shares of MIM eased 4p to 220p in a generally dull market.

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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday October 19 1983

NEW YORK STOCK EXCHANGE 28-30
AMERICAN STOCK EXCHANGE 29-30
WORLD STOCK MARKETS 30
LONDON STOCK EXCHANGE 31-33
UNIT TRUSTS 34-35
COMMODITIES 36
CURRENCIES 37
INTERNATIONAL CAPITAL MARKETS 38

WALL STREET

Quarterlies
bring the
casualties

WALL STREET stocks took a sudden dive yesterday as investors reassessed the outlook for the market, writes Terry Byland in New York. The trigger was pulled by the interest rate futures market which weakened in mid-afternoon bringing a half point fall in bond prices. The stock market, awash with trading news from major companies was badly upset by a warning of lower profits ahead at Digital Equipment, number two to IBM in the information processing industry. Digital stock plunged \$2 1/4 to \$79 and unsettled the rest of the computer sector. Another bearish factor was a set back in stocks of the leading securities trading houses. At the close, the Dow Jones industrial average was 17.89 down at 1250.81. Turnover increased to \$1.7m shares traded and stocks with losses outweighed those with gains by more than three to one. Among the notable casualties, American Express fell \$2 to \$33 as major investors took a closer look at the results announced on Monday. Lower profits at E. F. Hutton opened the reporting season at the Wall Street securities trading

houses. Hutton dropped by \$2 1/4 to \$34 1/4 and Merrill Lynch, with results expected, shed \$1 1/4 to \$30 1/4 on turnover of 2.3m shares, topping the active list. Mixed opinions on the results from the major banks left Citibank down 3/4 at \$42 1/4 after announcing higher third-quarter profits. Similar news saw Manufacturers Hanover \$1 1/4 off at \$38 and Bankers Trust unchanged at \$4 down at \$42 1/4. IBM, \$2 1/4 off at \$129, remained depressed by the coolness of Wall Street analysts towards the third-quarter profit figures and shrugged off news of developments in personal computers. Honeywell fell \$3 1/4 to \$128 on further consideration of the results. In Motors, Ford weakened by \$1 1/4 to \$67 1/4. General Motors were \$1 1/4 down at \$14 down at \$77 1/4 and Chrysler fell \$1 1/4 to \$30 1/4. Disclosure of the latest loss figures took \$ 1/4 off Caterpillar Tractor at \$42 1/4. B. F. Goodrich, the tyre manufacturer, fell \$1 1/4 to \$31 1/4 after disclosing a \$14m loss for the third quarter. Allis Chalmers, the farm equipment manufacturer, was unchanged at \$16 1/4 despite a turnaround into profit. The Dow Jones transportation index pushed to new highs, with Burlington Industries jumping a further 5/8 to \$105 1/4 as a recommendation from Morgan Stanley circulated among major investors. CSX added 5/8 to \$74 1/4. Pharmaceutical stocks were active, with Merck, the sector star slipping \$1 1/4 to \$102 1/4 after the third-quarter figures but Eli Lilly remained unchanged at \$63 1/4 after theirs. Pfizer was busy, with the price rallying to \$41 1/4 after early weakness.

Monsanto fell by \$3/4 to \$11 1/4 after a rise in third-quarter earnings. Gould, the electronics measurement equipment maker eased 5/8 to \$38 1/4 after trading results, as did SCM Corporation at \$32 1/4. But Northwest Industries plunged \$1 1/4 to \$38 1/4 after disclosing a downturn in the third quarter and Champion International at \$23 1/4 was 5/8 down after their third-quarter results. Sundstrand \$ 1/2 down at \$44 1/4 also suffered from poor results. Tandy, operator of the Radio Shack chain of personal computer retail outlets, fell \$1 1/4 to \$35 despite higher profits. Retail issues, which have to wait until next week for their profit figures from the sector, were quiet. Trading results from Philip Morris, the world's largest cigarette maker, left the shares unchanged at \$69 1/4. In the credit market, short-term yields edged higher in response to Monday's bill auction. The three-month Treasury Bills yield 8.78 per cent and the six-month 8.69 per cent. At the longer end, the key long bond fell to \$103 3/4.

LONDON

Colourless
end to
equity rally

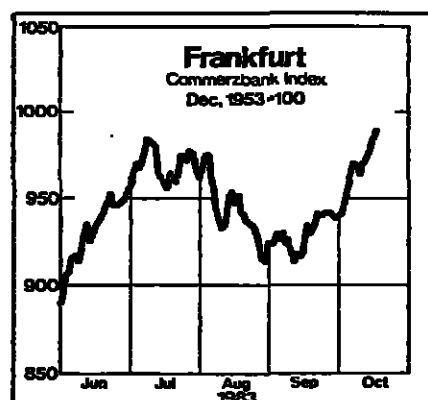
EQUITY TRADERS endured another drab trading session in London yesterday. A promising Wall Street-inspired technical opening rally in leading shares faded, reflecting the continued absence of institutional investment support, and values ended a little better than steady. The FT Industrial Ordinary share index closed 0.6 up at 678.2. Monday's brighter showing in gilts, which owed much to revived hopes of lower short-term U.S. interest rates, gave way to slightly more nervous conditions yesterday. Early improvements of around 1/4 or so were replaced by falls ranging to 1/4 in the long, while shorts finally settled with gains ranging to 1/4, mainly among low-coupon stocks. Properties and stores were two sectors to show above-average signs of life: the latter was fairly active initially, reflecting the record September retail sales figures, before quietening and closing mixed on balance. Details, Page 31; Share Information Service, Pages 32-33.

TOKYO

An advance
hesitates
and is lost

A HESITANT MOOD which prevailed in Tokyo yesterday sent share prices sharply lower, while bonds also remained weak, writes Shigeo Nishiwaki of Jiji Press. The Nikkei-Dow Jones market average of 225 select issues opened 23.89 higher from the previous day, but thereafter declined, ending the day at 9,349.06, a steep fall of 71.84. Volume expanded to 321.35m shares from Monday's 239.08m. Encouraged by persistent expectations of a cut in short and long-term interest rates, and an overnight firm tone on Wall Street, investors at first showed buying interest, but became bearish toward the close of the morning session against the background of political uncertainties. Blue chip stocks opened higher, but closed easier on small-lot selling by foreigners. Fuji Photo Film declined Y10 to Y1,990, Hitachi fell Y15 to Y862, NEC Y30 to Y1,270, Fujitsu Y20 to Y1,250, Canon Y40 to Y1,280, TDK Y30 to Y4,690 and Pioneer Electronic Y70 to Y2,680. Conversely, Sanki Engineering scored a maximum allowable gain of Y30 to Y334 on speculation of a boost in Treasury investments and its loans programme. Machine tools firmed on expectations of improvement in their business results, with Aida Engineering gaining Y42 to Y777, Toshiba Machine Y33 to Y568 and Hitachi Seiki Y14 to Y425. Market uncertainty derived largely from selling of blue chips by European investors, but analysts at major securities houses said the stocks were sold in relatively small lots of 200,000 to 300,000 shares. The analysts believe, therefore, that such sales would not lead to a change in the undercurrent of the market. None the less, share prices plunged, reflecting the extremely nervous investor sentiment. On the bond market, expectations of a cut in Japan's official discount rate, cur-

rently standing at 5.5 per cent, persisted, but it was thought that judging from the current yen's value against the U.S. dollar, the Bank of Japan is likely to reduce its discount rate late this month. Under such circumstances, investors adopted a hands-off attitude. The market saw city and regional banks, as well as financial institutions related to agriculture and the forestry trade, buy bonds in small amounts. The yield on 7.5 per cent government bonds maturing in January 1993 fell to 7.66 per cent in the morning on expectations of a discount rate cut, but it rose later amid a growing wait-and-see mood, closing the day at 7.69 per cent.



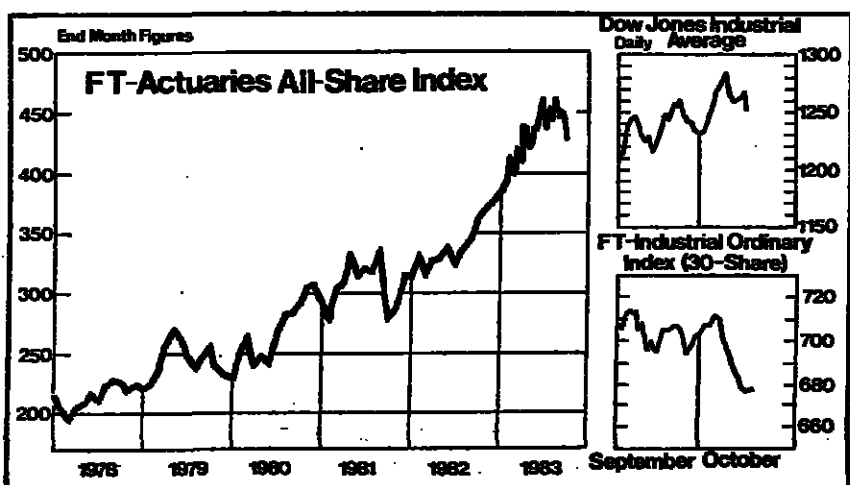
EUROPE

Frankfurt
at 23-year
record

A HEAVY SURGE of early buying, following Commerzbank's announcement of plans to pay a DM 6 dividend after three years of omission, took shares to peak levels in Frankfurt. Despite a later round of profit-taking, shares ended modestly higher on the day. The Commerzbank index of 60 leading shares, calculated at mid-session, added 7.9 to 989.7 - its highest since September 1960 when a record 1,031.9 was achieved. The 1958-based FAZ index of 100 shares - also a mid-session measure - reached a record 333.53, up 2.30 on the

day and surpassing the previous high of 331.85 recorded on July 7. Commerzbank's dividend plan was viewed as fitting neatly with the picture of improved company results, as described in the Bundesbank's latest monthly report, and into the new impetus coming from the dollar's decline. Commerzbank itself ended at DM 177.90, up DM 5.10 on the day, and it helped other recently depressed banks higher. Dresdner added DM 4.50 to DM 178.50 and Deutsche DM 2.10 to DM 308.50. Recently strong motor company shares ended narrowly mixed after profit-taking. Daimler, which touched DM 641 at the opening, slipped to closed DM 1.50 higher on the day at DM 639.50 while VW shed DM 2.50 to DM 230.70 and BMW added DM 1 to DM 401. Siemens was a firm favourite in the electrical sector, adding DM 4 for a year's high of DM 366.50. AEG firmed 50 pf to DM 85, but Brown Boveri fell DM 4.30 to DM 223.50. Domestic bonds rose by up to 0.25 points in a lively officials session, boosted by increasing confidence in the D-Mark and the higher close of the U.S. credit markets on Monday. Bourse trading was much less active elsewhere in Europe. In Paris, shares were lower in moderate trading as operators adjusted positions ahead of today's settlement of monthly accounts. A mixed picture emerged in Brussels where the ailing steel company Cockerill-Sambre ended up BFr 3 on the day at BFr 178 after an opening BFr 185. Few significant price movements were seen in Amsterdam though the market ended mainly higher. The international sector rose on small, mostly domestic, demand, while insurance managed to sustain the foreign interest that has been evident over the past few weeks. The banking sector and most chemicals led Zurich higher, though volume was only average. Union Bank remained firm adding SwFr 20 to SwFr 3,185 after Monday's SwFr 10 rise. Pirelli showed little reaction to its higher net profits firming SwFr 2 to SwFr 280. Milan remained depressed amid continued fears of possible new fiscal measures to finance Government spending and shares ended mixed to slightly higher. Electricals provided the lead for a slightly firmer Madrid, while Stockholm ended mixed to higher on a slightly improved turnover.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Oct 18	Previous	Year ago
NEW YORK			
DJ Industrials	1250.81	1268.70	1019.22
DJ Transport	585.47	591.62	408.77
DJ Utilities	137.33	138.20	122.0
S&P Composite	167.81	170.43	136.73
LONDON			
FT Ind Ord	678.2	677.5	626.1
FT-A All-share	426.94	426.66	386.82
FT-A 500	463.51	464.20	427.72
FT-A Ind	417.49	418.23	395.86
FT Gold mines	538.1	541.9	420.5
FT Govt secs	81.23	81.26	84.20
TOKYO			
Nikkei-Dow	9349.06	9420.90	7370.2
Tokyo SE	681.29	685.78	552.52
AUSTRALIA			
All Ord.	662.1	667.7	517.4
Metals & Mins.	509.5	516.8	417.1
AUSTRIA			
Credit Aktien	54.72	54.72	47.51
BELGIUM			
Belgian SE	127.1	127.12	100.10
CANADA			
Toronto Composite	2449.8	2481.40	1784.4
Montreal Industrials	426.45	443.07	322.94
Combined	416.64	421.96	306.93
DENMARK			
Copenhagen SE	188.08	186.9	92.4
FRANCE			
CAC Gen	141.4	141.5	100.5
Ind. Tendance	150.1	150.7	117.6
WEST GERMANY			
FAZ-Aktien	333.53	331.23	235.07
Commerzbank	989.7	981.8	712.1
HONG KONG			
Hang Seng	790.04	771.55	678.89
ITALY			
Banca Comm.	183.95	182.1	164.57
NETHERLANDS			
AMP-CBS Gen	142.7	142.6	93.8
AMP-CBS Ind	116.7	116.8	72.4
NORWAY			
Oslø SE	213.44	213.5	107.29
SINGAPORE			
Straits Times	951.75	947.15	697.56
SOUTH AFRICA			
Gold	755.8	771.3	750.9
Industrials	912.4	914.0	695.6
SPAIN			
Madrid SE	121.38	120.82	101.89
SWEDEN			
J & P	1432.00	1447.29	732.77
SWITZERLAND			
Swiss Bank Ind	343.6	343.0	259.7
WORLD			
Capital Int'l	182.7	181.5	144.0
GOLD (per ounce)			
	Oct 18	Prev	Year ago
London	\$396.575	\$394.625	
Frankfurt	\$397.25	\$394.625	
Zürich	\$397.50	\$394.50	
Paris (fixing)	\$398.90	\$402.24	
Luxembourg (fixing)	\$397.00	\$400.75	
New York (Oct)	\$396.30	\$397.40	

HONG KONG

THE WEEKEND support measures, pegging the local currency at HK\$7.80 to the U.S. dollar, continued to provide a stimulus to shares in Hong Kong. The market opened firm and the Hang Seng index added 13 points in the first hour. By the close, the measure was 33.48 points ahead at 790.04. In the banking sector, Hongkong Bank gained 10 cents to HK\$7.05 and Hang Seng Bank HK\$1.50 to HK\$32.75.

SINGAPORE

PLANTATION ISSUES came in for some demand in Singapore on speculation that Friday's Malaysian budget could scrap rubber duty. Overall, shares ended slightly higher with the Straits Times industrial index up 4.58 at 951.73. Of the plantation issues, Consolidated Plantations was actively traded to reach S\$3.24 before ending unchanged at S\$3.16. K.L. Kepong firmed 10 cents to S\$3.20 and Sime Derby one cent to S\$2.47.

AUSTRALIA

SHARES SUFFERED their third successive decline in Sydney where traders have adopted the view that issues seem to have overrun their fundamental supports. They point to lower gold and base metal prices and a stronger Australian dollar which cuts into the profits of the major exporters. Base metal miners led the decline. MIM Holdings, which has been steadily reducing its copper price, shed six cents to A\$3.62, after reporting net profits increased to A\$10m in the first 12 weeks of its financial year, compared with A\$2.3m in the same 1982 period but A\$24.6m in the final quarter of the last financial year.

SOUTH AFRICA

MOST INDUSTRIAL issues were unchanged in Johannesburg yesterday although some mining stocks encountered selling pressure. Driefontein slipped 25 cents to R34, Rustenburg edged 5 cents lower to R11.35 while Buffels lost 50 cents to R54.75. The disposal of a large block of shares in the diversified industrial group, Federale Volksbeleggings, was the only point of interest in the session.

CANADA

OILS, METALS and golds were the weakest sectors in Toronto by mid-session yesterday, although property and forest product issues posted gains. International Thomson was off an early CS\$ to CS\$12 1/2 and Gulf Canada shed a similar amount to CS\$18 1/2. Small losses in Montreal papers and utilities were overshadowed by much weaker industrials.



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LE MONDE	11
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NEUE ZÜRCHER ZEITUNG	8
WALL STREET JOURNAL	6
BUSINESS WEEK	24
ECONOMIST	22
TIME	13
NEWSWEEK	11
INSTITUTIONAL INVESTOR (INT.ED.)	21
EUROMONEY	17

Continued on Page 29

Continued on Page 30

Continued on Page 30

Continued on Page 30

AMERICAN STOCK EXCHANGE CLOSING PRICES

NEW YORK CLOSING PRICES

NMARK

Indices

**No FT...
no comment.**

Indices

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OIL AND GAS—Continued

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Co Ltd	N America	113.5	119.5	+0.2	—
Bar. 0707-42311	Far East	120.9	127.3	+0.4	—
	Managed	111.6	117.6	+0.1	—

SP10 TPC	107.7	109.3	-0.3
Asset Fd	97.7	99.2	-1.5
Property Fd	137.7	128.8	8.9
Fixed Int Fd	99.4	104.7	-5.4
Money Fd	97.7	105.2	-7.5
Equity Fd	109.3	115.7	-6.5
Windsor Life Assurance Co Ltd			
Royal Can Fd	205.1	219.0	-13.9
N Amer Fd	205.1	219.0	-13.9
FutAsGrp	77.0(A)	85.0(B)	-8.0
FutAsd Fd	128.5	135.2	-6.7
FarEastAs	128.5	135.2	-6.7

Investment Fund SA	(Accum)	\$17.94	19.23	—	Prime Series	120.6	127.0	-0.3	—	Index Stk	109.2	109.7	—
ne, Luxembourg Tel 47971	Asian	\$9.61	10.39	—	Managed	120.6	127.0	-0.3	—	International	115.6	117.9	—
\$20.23	(Accum)	\$9.61	10.39	—	UK Equity	120.6	127.2	-0.2	—	London Life Managed Funds Ltd				

1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996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AUTHORISED UNIT TRUSTS

to Dec 2	105.2	21	15	Total Prod. Unit Inv. 13.4	37	398 - 0.6	3.70
to Dec 3	117.0	37	21	Pharmaceutical Unit Found			
to Recovery Inc. 24	124	37	21	Pharmaceutical Unit Found			
to Dec 3	124	48	4	3000 New Street St, ECMN INU	01-438-4405		
to Dec 3	124	48	4	Dis Inc Dec 14	1320	348.51	4.23
to Dec 3	124	48	4	For Detail see Oppenheimer Ltd Management			

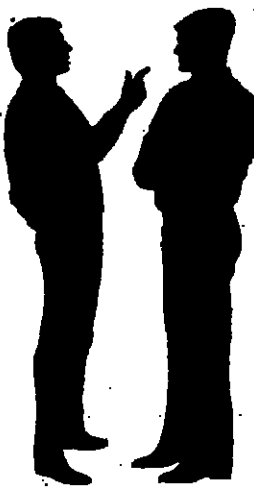
African Oct 18	252.9	257.2	-17.4	Do (Accum.)	17.1	26.4	+0.3	4.0
(Accum. 1979)	252.9	257.2	-17.4	Do (Accum.)	17.1	26.4	+0.3	4.0
North Am Oct 14	229.3	244.2	6.9	Small Cst & Revy	17.1	21.1	-1.7	1.76
(Accum. 1979)	229.3	244.2	6.9	Do (Accum.)	17.1	21.1	-1.7	1.76
Europe Dec 12	193.8	203.9	1.9	Worldwide Growth	131.4	141.5	-1.0	1.01
(Accum. 1979)	193.8	203.9	1.9	Do (Accum.)	131.4	141.5	-1.0	1.01

U.S. Grains/Ethanol Sales, EC3P 3MH,	104.2	-0.1	1.50
PI Gen. Inv. Tot.,	197.4	-0.1	1.50
Income, Unpry,	154.0	-0.3	1.58
PI Op/Inv Tot.,	157.2	-0.3	0.80
Account, Unpry,	408.7	-3.2	0.80
Income,	55.8	-0.1	1.92
U.K., France	67.4	-0.1	1.78
Can & Ind. Inv. Grh.	164.9	-0.2	1.00
Suppliers,	100.3	-0.2	1.00
UK Equity	89.4	-0.1	1.23

[illegible]

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INSURANCES

[illegible]

	For: General Fund, Man. (Jones)			
	See Budget Transf. Inlet, West.			
Quaker/Henold Commodities				
31-45, Gepherson Street, S227 N.M.	01-4004177			
Revenue/Fund	\$1345.22	-	1	20
Not doing State New 1.				
Roa Brothers (Held) Ltd.				
29 Aloa St, Douglas, Va.	0124 21724			
Bond Fund.	[1.185	1.224	-0.074	7.89

COMMODITIES AND AGRICULTURE

NFU seeks national quotas for milk levy

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

A NEW approach to solving the EEC's milk surplus problem was put forward by the National Farmers' Union (NFU) yesterday. The NFU suggests that levies on surplus milk should be based on production quotas for individual member countries of the Community.

Under the scheme, each member country would have the choice, within EEC rules, of what method was used to raise

to levy. The commission's original reform package suggested that a so-called "super" levy would be 75 per cent of the guaranteed price for extra production of milk above the 1981 output plus 1 per cent. This would be applied to individual farms.

There would also be a levy designed to hit, in particular, those farmers who made use of compounds or cereal substitutes rather than forage as the basis of their output.

The NFU proposed, in effect, that the levies should be based on national standard quantities. These are no new thing.

They were instituted in the UK in the early 1960s as an alternative to quotas fixed on individual farms.

The NFU proposed, in effect, that the levies should be based on national standard quantities. These are no new thing.

When the standard quantities were first brought in there were a minority of farmers who were in favour of quotas for each farm, as happens in several other countries. But they were overruled by the Milk Marketing Board and the majority of farmers who preferred the expansionary road.

It is obvious that a majority of dairy farmers in the NFU are still of the same opinion when

the EEC's demands to reduce the costs of the dairy regime.

The NFU seems to pay little heed to the almost certain objections from the rest of the community to any scheme which is based on national responsibility.

It would completely undermine the principles of a Common Market in farm products and signal the end of the Common Agriculture Policy in its present form.

Commodity values likely to rise 10%

COMMODITY prices are expected to rise by an average 10 per cent this year, reversing the 33 per cent slide in prices of 1982, according to the Bank of America.

The bank's quarterly report on commodity prices says the overall increase will be led by a 15 per cent boost in industrial commodity prices.

The U.S. economic upturn has not had such a significant impact on agricultural commodity prices, but the Government acreage restriction programme, along with poor weather, are expected to raise prices at about half the rate of industrial commodities.

"In 1984 we expect commodity prices to increase by a further 6 per cent," says Mr. Margot Rich, head of the bank's commodity analysis team. "Through more moderate, this growth will reflect the broad-based improvements in the U.S. economy and the spread of the economic recovery to Europe and Japan."

The Bank of America commodity price index, which charts commodity price activity since 1972, is expected to reach 102 by the end of 1983 and 106 by the end of 1984, up from 92 at the end of 1982.

THE ROYAL Smithfield Show has attracted record entries in all livestock classes.

RUBBER shares on the Kuala Lumpur stock exchange reacted favourably to market speculation about a possible reduction in rubber export duties in the 1984 budget.

WORLD production of the 10 major oilseeds will decline 10.2 per cent to an estimated 158.23m tonnes in 1983-84, the largest fall since the second world war.

CUBA HAS almost sold out of nickel for the rest of 1983, according to a statement from the European trading arm of Cabanig.

Better prospects for forest products

BY ANTHONY McDONNELL IN GENEVA

PROSPECTS for forest products are improving after three years of declining markets. The recovery is uneven so far but is emerging most clearly in North America.

A report by the timber committee of the United Nations Economic Commissions for Europe, which represents all the European countries, the U.S., Canada and the Soviet Union, says the overall picture is encouraging.

The recovery is seen as a good sign for the timber industry in Europe this year to continue next year. Domestic requirements are expected to go up by 2 per cent. Imports are expected to increase slightly while exports will go down by 5 per cent.

Demand for wood-laced panels has fallen in the last three years but is expected to show a partial recovery last year.

The report noted that 1982 had been an unsatisfactory year worldwide for the pulp and paper sector. Production of pulp and paper had dropped significantly in both Europe and North America.

European demand is expected to rise by 3 per cent this year to 163.5m cu metres.

European pulpwood requirements in 1984 are expected to rise by 3 per cent to 168m cu metres while U.S. demand is expected to grow by 5 per cent to 207m cu metres.

The committee's report says

Cocoa increase made despite 'uncertainties'

By Ow Abidjan Correspondent

IVORIAN cocoa producer prices have been raised 17 per cent to FCFA 350 per kilo, the first increase for four years, following a ministerial meeting in Abidjan on Monday.

Coffee producer prices were raised 17 per cent to FCFA 175 per kilo. The 1983-84 cocoa and coffee seasons were formally opened on October 17.

The opening was announced three days after President Boigny's return to Abidjan after a five-month working holiday. The season has started six weeks later than usual, traders pointed out.

A Government communiqué said the price increases were made despite "market uncertainty" and were intended to restore farmers' lost purchasing power. Local observers said that the increases were the "bare minimum" expected by farmers.

The communiqué contained no forecast for the 1983-84 cocoa and coffee crops and a wide gap remains between Government and industry estimates.

Members of the Cocoa Producers' Alliance are reportedly meeting privately in Gabon to discuss preparations for a new international cocoa pact.

Crude futures market sets 500-lot target

BY JOHN EDWARDS, COMMODITIES EDITOR

THE LONDON crude oil futures market to be launched on November 21, has set itself a modest opening target of achieving a turnover of 500 lots (each of 1,000 barrels) daily within six months, according to Mr. Robin Woodhead, chairman of the International Petroleum Exchange.

Mr. Woodhead said they had high hopes of becoming the leading commodity futures market in London in the years ahead as crude oil futures had tremendous potential.

He claimed that five of the seven major oil companies were already trading futures intensively and that the New York market had surged ahead, exceeding the Opec daily oil production on two occasions.

However, a notable feature of the market is that the contract terms provide for an

alternative delivery procedure, under which the buyers and sellers may agree between themselves to any other crude, or port of delivery, being used to close out futures positions.

This should give the market considerable flexibility. First delivery month will be February, but the alternative delivery procedure, which is expected to appeal to big users, will start from January.

The market will trade six months ahead and the contract unit will be of 1,000 barrels (42,000 U.S. gallons) quoted in dollars.

It is expected that the similarities between Brent blend and oils traded on the New York and Chicago markets will encourage arbitrage between the U.S. and London.

Mr. Michael Bowers, chief executive of the International Petroleum Executive, added that oil was the world's most vulnerable and largest international traded cash commodity with an annual value in excess of \$300bn — 80 per cent of which was crude.

The new market will be based on Brent blend as a marker crude delivered in Rotterdam or Amsterdam, with other light to sulphur crudes from the North Sea, Nigeria, Algeria and Tunisia deliverable at premiums or discounts to be fixed by the exchange based on price rises while ZIMC was finally quoted at \$29.5, also reflecting lack of imminent producer price increases.

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Price rumours push up zinc values

By John Edwards

RUMOURS of another rise in the European producer price, pushed zinc values higher on the London Metal Exchange yesterday.

Cash zinc closed at \$575 up at \$580.25 a tonne. Reuter reported from The Hague that Billiton Metals had said the company was "prepared to accept" a rise in the European zinc producer price from its present level of \$580 to \$615 a tonne as a basis for pricing the zinc content in concentrates.

The company added that the basis would be effective immediately if other European producers followed suit. European zinc producer prices have already been raised three times this year, from \$780 to \$880, reflecting higher prices in North America and a world shortage of special high grade zinc.

A general move to \$815, following Billiton's statement, seems more than likely to materialise as producers claim they are still not making much money at present levels.

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A general move to \$815

CURRENCIES; MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stabilises at lower levels

The dollar continued to lose ground in currency markets yesterday but once again finished above the worst levels of the day. The dollar's fall has been encouraged recently by better U.S. money supply figures but the extent of any dollar decline has been limited by current Middle East tension and the lack of any evidence that the Federal authorities are likely to ease monetary policies, especially in view of continued economic recovery.

Sterling lost ground initially but then showed little movement during the day.

DOLLAR — Trade weighted index (Bank of England) 125.56 against 125.54 on Monday. The dollar has retreated from the peaks touched in August, amid hopes that a sustained fall was imminent, following better money supply figures and a slight easing in interest rates. A large U.S. budget deficit is likely to restrain the fall in interest rates and the dollar, but downward pressure on the currency will continue due to the substantial trade deficit.

The dollar closed at DM 2.5845 down from DM 2.6030 on Monday but above the day's low of DM 2.5785. Against the Swiss franc it fell to Sfr 2.0585 from Sfr 2.1100 and Y232.25 com-

pared with Y233.0. It was also weaker against the French franc at FF 7.9030 from FF 7.9550. **STERLING** — Trading range against the dollar in 1983 is 1.6245 to 1.4540, September average 1.4991. Trade weighted index 83.2, unchanged all day and compared with 83.5 on Monday. The pound has tended to move with the dollar recently, although a decline against Continental currencies is probably welcomed. It has also reacted to Middle East tension and its effect on oil supplies, highlighting the pound's status as a petrocurrency.

Sterling traded between \$1.4975 and \$1.5045 against the dollar and closed at \$1.5000, a fall of 10 points.

EMS EUROPEAN CURRENCY UNIT RATES

ECU central rates	Current rates	% change from Oct 18	% change from Oct 17	% change from Oct 16
Belgian Franc	44.3608	-0.01	-0.01	-0.01
Dutch Guilder	36.3636	-0.01	-0.01	-0.01
French Franc	6.5596	-0.01	-0.01	-0.01
German Mark	1.9363	-0.01	-0.01	-0.01
Italian Lira	1.9363	-0.01	-0.01	-0.01
Spanish Ptas	166.637	-0.01	-0.01	-0.01
Swiss Franc	2.0536	-0.01	-0.01	-0.01
UK Sterling	7.9558	-0.01	-0.01	-0.01

Changes are for ECU, therefore positive change denotes a weaker currency. Adjustment calculated by Financial Times.

Against the D-mark it fell to DM 3.88 from DM 3.91 and Sfr 3.15 from Sfr 3.125. It was also lower against the yen at Y249.1 from Y250.0 and FF 11.5530 compared with FF 11.9425. **D-MARK** — Trading range against the dollar in 1983 is 2.3315 to 2.3320, September average 2.6682. Trade-weighted index 127.8 against 128.5 six months ago. Until the recent easing of U.S. money supply the D-mark had been at its lowest level for nearly 10 years against the dollar, reflecting the large differential in interest rates. However there now appears to be a gradual shift in emphasis towards economic fundamentals, with the German currency looking increasingly attractive on this basis.

The D-mark improved against the dollar at the Frankfurt fixing in quiet, featureless trading. The U.S. currency fell to DM 2.5847 from DM 2.5967 with out any intervention by the Bundesbank. Sterling fell to DM 3.8790 from DM 3.9050.

JAPANESE YEN — Trading range against the dollar in 1983 is 246.50 to 246.80, September average 242.44. Trade-weighted index 153.0 against 146.1 six months ago. The yen was recovering slightly faster than most European currencies against the dollar, until stepped by interest rate differentials and concern about Gulf oil supplies. A strong trade performance and buoyant equity market have added to the attractions of the Japanese currency.

The yen drifted sideways in quiet Tokyo trading, reflecting the reluctance of dealers to trade because of doubts about the future direction of U.S. and Japanese interest rates. Despite official denials rumours persist of a cut in the Bank of Japan discount rate this week, as part of a broader package to boost the economy. The dollar closed at Y232.05, unchanged from Monday, after moving to a narrow range of Y231.90 to Y232.55.

CURRENCY MOVEMENTS

Oct 18 Bank of England Guaranty Index

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Gilts depressed

Gilt futures weakened on the London International Financial Futures Exchange yesterday, with December delivery closing at 105.25, the lowest level of the day, compared with 106.02 previously. It opened at 106.02, the highest point touched, and traders reported that prices opened lower than expected, and drifted down, lacking support at any particular level. Public Sector Borrowing for the third quarter was below some estimates, and led to a brief upturn in prices, but this was short lived, since the figure for the full financial year is still expected to be above the Government target. The Cabinet meets tomorrow to discuss public expenditure, but in the present political climate the market doubts the Government's will to severely

cut back spending. Traders are also pessimistic about further cuts in London interest rates.

Volume in the short-sterling contract was at a disappointing level, reflecting the static nature of interest rates on the London money market. December traded in a very narrow range of 90.67 to 90.89, and after opening at 90.83 closed at 90.69, compared with 90.61 on Monday.

Eurodollars were very firm in Chicago on Monday, and dealers were not surprised when London opened cheap to Chicago and remained so, despite staying well above the previous London finishing level. The December contract opened at 90.45, the best level of the day, and closed at 90.42, compared with 90.37 previously.

LONDON

THREE-MONTH EURODOLLAR 3m

U.S. TREASURY BONDS (CBT)

U.S. TREASURY BILLS (IMM)

STERLING DEPOSIT (IMM)

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INTERNATIONAL CAPITAL MARKETS

Debt crisis slows down international lending

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

Table with 2 columns: Year, Growth in International Bank Lending (\$bn)

who are as a source of credit disappeared. In the first quarter U.S. banks had channelled a net \$11.2m abroad, but in the second they took in \$3.4bn, a capital inflow that helped ensure exchange market strength of the dollar despite the growing U.S. balance of payments deficit.

Lending patterns also changed during the quarter, the BIS says. Eastern European countries received \$300m in new credit after a contraction of \$1.4bn in the amount of credit available to them in the first quarter, recovered again to \$800m.

Among specific countries the BIS notes the following developments: Mexico and Brazil increased their deposits with international banks by \$1.3bn and \$800m respectively, making them net suppliers of funds to the system during the second quarter. Venezuela also built up its deposits by \$700m.

Outside Latin America the largest developing country borrowers in the quarter were Israel with \$800m, and Egypt and the Philippines with \$600m each. In Latin America the largest gross borrowers were Mexico with \$400m, and Argentina and Colombia with \$300m each. Brazil received virtually no new loans, the BIS says.

Banks in Italy borrowed heavily abroad during the quarter, taking \$3.8bn in fresh funds from the market. Non-bank entities in Italy also borrowed heavily, the BIS says, although bankers note that at the time there were few published transactions in the syndicated loan market.

Such deposits expanded by a record \$13bn, the BIS says. Some \$7bn of this came from U.S. non-banks, but Swiss banks continued to channel a substantial volume of private depositors' money into the Euro market, and other depositors were also attracted by the high level of interest rates and the strength of the dollar on exchange markets. As a result, banks in Europe had to rely less heavily on funds supplied by their counterparts in the U.S.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which is published monthly. The following are closing prices for October 18.

Table with multiple columns: Bond Name, Issued, Bid, Offer, Change, Yield, etc.

Table with multiple columns: Bond Name, Issued, Bid, Offer, Change, Yield, etc.

YEN STRAIGHTS Table with 2 columns: Bond Name, Bid, Offer, Change, Yield

EUROBONDS Scottish bank seeks to raise \$75m

BY MARY ANN SIEGHART IN LONDON

THE ROYAL BANK of Scotland is raising \$75m in the Eurodollar bond market in a bond-with-warrants deal led by Samuel Montagu.

The ten-year bond has an 11% per cent coupon at a price of 99 1/4, giving a yield of 11.92 per cent to maturity. Each bond has one warrant with an issue price of \$20, which enables the holder to buy a ten-year, 11% per cent bond at par from the same borrower at any time in the next five years. The 11% per cent bonds are callable after five years, so that the borrower can lock into a lower cost of funding (11% per cent) if the warrants are exercised.

The bond on its own was considered to be a little tightly priced, and traded at a discount of around 2 points, outside its selling concession. On the other hand, the warrants were very popular and moved straight up to about \$20, so that managers selling the package will not have lost money.

In fact, several market participants suggested that at \$26, the warrants were still cheap compared with similar warrants already in the market.

The dollar secondary market was very quiet again yesterday, with prices closing little changed. The Inter-American Development Bank issued a \$15bn Euro-Yen bond through Nomura Securities. The ten-year bond has an indicated coupon of 7.875 per cent at a price of 99 1/4. The IADB is also scheduled to tap the Samurai market in November.

Baxter Travenol's dual currency bond, in which the interest is paid in Swiss francs and the bond is redeemed in U.S. dollars, has been increased from SwFr 100m to SwFr 125m, reflecting the recent market demand for such instruments. In return for taking the exchange rate risk on the U.S. dollar, investors are rewarded with a coupon of over 10 point more than they would earn on a straight Swiss bond.

Baxter's Swiss bond has been finally priced as indicated by SBC with a coupon of 7 per cent at par. There are put and call options after eight years at \$2,800 and \$2,845 respectively. The redemption value of the bonds is \$3,000.

Prices in the German and Swiss secondary markets rose slightly in medium turnover.

Table with 2 columns: Bank Name, Rate

NOTICE SALE BY TENDER Assets of Intercontinental Distilleries (St. Lucia) Ltd. Castries, St. Lucia, West Indies

Notice is hereby given that Bahamas International Trust Company Limited, Trustees in Bankruptcy under the Hypothecary Obligation and Mortgage Debenture dated 29th October 1976 and registered in St. Lucia in volume 129A No. 114272 is prepared to receive tenders for the purchase of the mortgaged property comprised of the following parcels:

- Parcel 1 All land and buildings exclusive of Parcels 2 to 6;
- Parcel 2 One complete distillation system with capacity of approximately 8,000 imperial proof gallons of 69 O.P. Alcohol per day;
- Parcel 3 Processing tanks with approximate capacity for 340,000 gallons Molasses, 200,000 gallons Fermentation Wash, and 120,000 gallons Alcohol;
- Parcel 4 General service equipment including one package boiler (24.150 lbs. of steam), electric pumps, compressors etc;
- Parcel 5 Associated laboratory equipment;
- Parcel 6 Associated office furnishings, tools and materials.

The procedure for tendering and conditions of sale, including details of the parcels and the applicable government concessions may be obtained on application at the offices of Bahamas International Trust Company Limited, P.O. Box N7766, Bico Building, Bank Lane, Nassau, Bahamas. Attention: Mr. Hugh Moore or from Mr. William Douglas Rapier, Peat, Marwick, Mitchell and Co., P.O. Box 195, Castries, Saint Lucia, West Indies. Applicants must enclose a self addressed envelope. The Trustee does not bind itself to accept the highest or any tender. Tenders must be sent in a sealed envelope to arrive before twelve o'clock noon (Local Nassau time) on the 30th day of November 1983 to the Trustee, Bahamas International Trust Company Limited, Box N7766, Bico Building, Bank Lane, Nassau, Bahamas and the envelope must be marked "Do not open - Tender for Purchase of the Mortgage Property, St. Lucia."

Tenders must be accompanied by a deposit by way of a certified cheque payable to BAHAMAS INTERNATIONAL TRUST COMPANY LIMITED - IN TRUST for 15% of the amount tendered. The deposit will be returned if the tender is not accepted. The deposit will be forfeited to the undersigned Trustee as liquidated damages if the tender is withdrawn prior to the date on which notice of the acceptance of any tender by the trustee is deemed to have been received by the tenderer as more fully described in the procedure for tendering. The deposit of a tenderer whose tender has been accepted will be forfeited as liquidated damages if the successful tenderer does not complete the sale. The balance of the tender price will be payable at closing. The assets may be inspected by appointment arranged by contacting Mr. William Douglas Rapier or Mr. N. P. Husband, Peat, Marwick, Mitchell and Co., P.O. Box 195, Castries, St. Lucia, West Indies (809) 452-2511, Telex No. 6351 PMM SLU.

Bahamas International Trust Company Limited, P.O. Box N7766, Bico Building, Bank Lane, Nassau, Bahamas.

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

To the Holders of Matsushita Electric Industrial Co., Ltd. (Matsushita Denki Sangyo Kabushiki Kaisha) (the "Company") 6% Convertible Debentures Due November 20, 1990 (the "Debentures")

NOTICE IS HEREBY GIVEN, that the following coupon Debentures and the principal amount indicated below of the following registered Debentures of the Company have been drawn for redemption on November 20, 1983 (the "Redemption Date") for account of the Sinking Fund at a Redemption Price (the "Redemption Price") of 100% of the principal amount thereof.

Table with 2 columns: Serial Number, Principal Amount

SERIAL NUMBERS OF COUPON DEBENTURES

Table with 2 columns: Serial Number, Principal Amount

FULLY REGISTERED DEBENTURES

Table with 2 columns: Serial Number, Principal Amount

Payment of the Redemption Price will be made upon presentation and surrender of the Debentures called for redemption in whole or in part (in the case of coupon Debentures, together with all coupons appertaining thereto maturing after November 20, 1983), on or after November 21, 1983 at the Corporate Trust Office of the Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10005 or at the principal office of any of the following Paying Agents:

The Bank of Tokyo Trust Company in London; The Bank of Tokyo, Ltd. in Brussels; The Bank of Tokyo, Ltd. in Frankfurt/Main; The Bank of Tokyo, Ltd. in Milan; The Bank of Tokyo, Ltd. in Paris; The Bank of Tokyo (Holland) N.V. in Amsterdam; The Bank of Tokyo (Luxembourg) S.A. in Luxembourg; The Bank of Tokyo (Switzerland) Ltd. in Zurich; The Sumitomo Bank Limited in London; The Sumitomo Bank Limited in Brussels.

Upon surrender of Debentures to be redeemed in part only, a new Debenture or Debentures in principal amount equal to the unredeemed portion will be issued. From and after the Redemption Date, interest on the Debentures, or portion thereof, to be redeemed for this Sinking Fund will cease to accrue. Interest maturing on November 20, 1983 will be paid in the usual manner.

CONVERSION OF DEBENTURES INTO COMMON STOCK The Debentures may be converted into Common Stock of the Company or, at the option of the holders, into American or International Depositary Receipts, at the conversion price (with Debentures taken at their principal amount translated into Japanese yen at the rate Yen 303 equals U.S. \$1) of Yen 449.90 per share of Common Stock. The Company's Common Stock and American or International Depositary Receipts are issuable only in Units of 1,000 shares of Common Stock or integral multiples thereof. A cash adjustment will be made for any fraction of a Unit.

Each Debentureholder who wishes to convert his Debentures should deposit his Debentures (in the case of coupon Debentures, together with all unexpired coupons) and a written notice to convert (the form of which notice is available from any of the following) with Morgan Guaranty Trust Company of New York, at its corporate trust office in New York City, 30 West Broadway, New York, N.Y. 10015 or at its principal office in Brussels or any of the following Paying Agents:

THE BANK OF TOKYO TRUST COMPANY LIMITED, 100 BROADWAY, NEW YORK, N.Y. 10005
THE BANK OF TOKYO TRUST COMPANY LIMITED, 100 BROADWAY, NEW YORK, N.Y. 10005
THE BANK OF TOKYO TRUST COMPANY LIMITED, 100 BROADWAY, NEW YORK, N.Y. 10005

CONVERSION RIGHTS WILL TERMINATE AT THE CLOSE OF BUSINESS ON NOVEMBER 17, 1983 AS TO ALL DEBENTURES OR PORTIONS THEREOF REDEEMABLE ON THE REDEMPTION DATE. THE REPORTED CLOSING PRICE OF THE COMPANY'S COMMON STOCK ON THE TOKYO STOCK EXCHANGE ON OCTOBER 5, 1983 WAS YEN 476.80 PER SHARE. SO LONG AS THE MARKET PRICE OF THE COMMON STOCK IS U.S. DOLLAR EQUIVALENT 1.536 PER SHARE OR MORE, A DEBENTUREHOLDER WOULD RECEIVE, UPON CONVERSION OF DEBENTURES, UNITS TOGETHER WITH CASH ADJUSTMENTS FOR A FRACTION OF A UNIT, HAVING A GREATER MARKET VALUE THAN THE CASH ADJUSTMENT SUCH HOLDER WOULD RECEIVE IF HE SURRENDERED HIS DEBENTURES FOR REDEMPTION.

MATSUBITA ELECTRIC INDUSTRIAL CO., LTD. By: The Bank of Tokyo Trust Company, as Trustee

October 12, 1983

CNT Caisse Nationale des Télécommunications U.S.\$100,000,000 Floating Rate Notes due 1986 For the six months 18th October 1983 to 18th April 1984 the Notes will carry an interest rate of 10 1/4% per annum, with a coupon amount of US\$51.47. Interest payable on 18th April 1984. Bankers Trust Company, London

U.S.\$60,000,000 Industrias Peñoles, S.A. de C.V. (Incorporated in the United Mexican States) Floating Rate Notes due 1989 In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 19th October, 1983 to 19th January, 1984 the Notes will carry an Interest Rate of 10 1/4% per annum and the Coupon Amount per U.S. \$10,000 will be U.S. \$265.14. Credit Suisse First Boston Limited Agent Bank

TRAILER TRAIL FINANCE N.V. 13.25% Guaranteed Bonds due 1992 Manufacturers Hanover Limited announce that the instalment of Bonds for a nominal value of U.S.\$2,700,000 has been purchased in full for the redemption on 1st November, 1983. U.S.\$31,900,000 Nominal Bonds will remain outstanding after 1st November, 1983. 8 Princes Street London EC2

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FINANCIAL TIMES SURVEY

CHINA

By Colina MacDougall

NEARLY FIVE YEARS have passed since China's strong man Deng Xiaoping took the helm and set in motion sweeping changes which have transformed the visible face of China. Gone, for the most part, are the patched blue unisex suits. Gone, for many, is the spectre of malnourishment. The prosperous towns which foreigners visit have sprouted free markets filled with fresh meat, vegetables and fruit. The high street shops are full of televisions, frilly blouses and fashionable sports shoes.

The destructive political campaigns of the past which undermined economic progress have seemingly faded away. The leadership, under Deng's back-seat driving, has consolidated. Top personnel changes have introduced younger and probably more pragmatic people into influential posts. An embryonic legal system regulates civil life, and more important for the foreign businessman, lays down a framework for commerce.

The last few years have seen the first effort since the 1950s to codify business practices. In 1979, recognising that foreigners needed the assurance of formal legislation before they could consider co-operation with China, Peking brought in a joint venture law. It began work on a new constitution, a new criminal and civil code and on legislation affecting relations between Chinese enterprises.

In September this year, Peking published further regulations on the setting up of joint ventures which reportedly clear up many of the problems which have dogged them in the past.

China has opened a door to the west to bring in modern technology, and even welcomes western capital. Trade, with its emphasis on acquiring technology, is now seen, at least by those in charge, as the key to a prosperous and modernised China.

Over the past five years western businessmen have flocked to China to assess and

develop the new market. Chinese officials have swarmed in hundreds in the other direction. China's volume of trade has risen from \$14.7bn in 1977 (the year after Chairman Mao died) to nearly \$41bn in 1982. Today foreign buyers can travel over much of China previously sealed off and foreign sellers can directly contact many potential end-users, both facilities unheard of half-a-dozen years ago.

Foreign investment so far disbursed to joint ventures in China, according to the reliable China Business Review, runs to about \$300m. This excludes the biggest wave of joint ventures, the development of China's offshore oil. Already around two dozen foreign oil companies have signed contracts to explore offshore on terms which will require the expenditure of hundreds of millions of dollars and could the foreigners into co-operation with China for many years.

This sounds impressive, and, compared to the past, it is. But China remains a testing place to work, and foreign businessmen find the Chinese far from easy partners. This feeling is probably reciprocated by the Chinese, who traditionally prefer to keep foreigners working in China isolated in special compounds. This does not aid understanding.

Joint venture goes sour

One important case where a joint venture has gone sour is that of the French company Total China. It has been drilling for oil under a shared-risk arrangement off Hainan Island in the South China Sea. Total have now pulled out their drilling staff because, after spending over \$100m, they do not view the oil they have struck as commercial. Furthermore, the inexperience of Chinese rig crews has plagued the venture. Total want to renegotiate their original contract, which was signed in 1980 when oil prices were high, but the Chinese are reluctant to do so.

Deng Xiaoping, China's leader, has had a good year. He has rejuvenated the government, freed agriculture from most constraints and opened the door further to foreign capital. However, China's crime wave, its controversial population policy and the challenge from the diehards on the left remain as threats

There are also manpower problems in joint ventures on shore. Office staff supplied by the Chinese side tend to be inefficient and, relative to the skills they provide, expensive. Foreign companies warn of excessive numbers of Chinese directors on the boards of joint ventures. Offices tend to be overmanned with Chinese who are there to learn the job.

These day-to-day working problems follow the tough process of actually negotiating a contract. Here, some companies reckon, the time required is still two to three times as long as it takes in other countries. Past experience suggests that when a contract is signed, there is no complete certainty the Chinese will stick to it.

The most spectacular example of a breakdown is the Baoshan steel plant deal, originally negotiated with Japan and West German companies in 1978. This has been twice suspended and twice reinstated as a consequence of internal Chinese politics and domestic arguments over costs. A more recent example is the British Aerospace-Yosper Thornycroft contract for refuelling Chinese naval

ships, signed in November 1982 but allowed to lapse last March by the Chinese during the ratification period after three years of costly and intensive negotiation. Many foreign companies worry that if they upset the Chinese, their deals could be scrapped.

Many companies enter China as a form of insurance against the possible extension of Chinese influence, in particular to Hong Kong. This applies especially to businessmen from the territory who see a joint venture in China as a way of keeping a foot in both camps, and partly accounts for the proliferation of Hong Kong business in the Special Economic Zones.

Some Western companies have come to China believing "We can't afford to be left out." "We wanted to get into China somehow," or "China's the last big opportunity still undeveloped in our field."

While they hope to make money in the long run, they are not too concerned at present and probably do not gamble more than they can afford. So whether the Chinese are easy business partners at present is, for them, less relevant.

How likely is it that conditions will get easier? It seems possible. Deng appears totally committed to the open door policy, and many thousands of students have been sent to study (mainly technology and languages) in the west. Premier Zhao Ziyang has also declared himself committed to the open door policy.

Encouragingly, Deng seems steadily to have gained political ground this year, successfully ousting his opponents. His "Selected Works," published last summer, are being assiduously studied, as Mao's once were.

The management of the economy is being reformed. A new commission, under the premier, is due to get to grips with reorganisation. New enterprises such as local corporations are more responsive to profit and less than the old ministries. Elderly officials are giving way to technocrats, such as for instance Li Peng, the new vice-premier, who comes from the ministry of water conservancy and power. On the face of it, economic liberalism and its concomitant, the open door policy, are here to stay.

Party purge on the way

But there are many impediments. One is that top jobs in the bureaucracy are currently being filled by men who were trained in the 1950s. If they dealt with foreigners, those foreigners would have been from the Soviet bloc. The bureaucracy was built up on the Soviet model and until 1988 the economic ideas were Soviet in origin. It may be optimistic to expect them to show much flexibility.

Further problems may arise from China's political and social strains. One forthcoming hurdle is the scheduled party "rectification," in which the 30m members recruited during the Cultural Revolution (out of a total membership of 40m) will have their credentials examined. Another is the handling of the present crime wave, where Peking's severe

response — which includes widespread public executions — may prove temporarily effective but will not solve the problems of too few jobs and a collapse of respect for authority among young people.

Yet a third problem may be the draconian one-child-family policy, involving forced abortion, sterilisation by the authorities and sometimes infanticide by desperate parents. Mothers are still abused for giving birth to daughters, to the point of murder or suicide. It is difficult to imagine the policy for the requisite 20-odd years without a fierce backlash.

Transcending these issues is the key question: will the open door policy, and the liberalisation that goes with it, outlast the lifetime of the remarkable Deng? At close on 80 he seems unlikely, despite his recent Mao-style swim in the sea, to be around much longer.

His chosen successors are clearly the party secretary-general, Hu Yaobang and the premier, Zhao. No one knows whether they will succeed to his role peacefully, or even if, having done so, they will be able to work together. As Deng supporters, they will already have attracted the hostility of his opponents, the old-style military who resent their current loss of prestige and the conventional Marxists who see his economic policies as a sell-out.

Hu has made little impact on foreigners yet, but Zhao has begun to be seen as a tough and efficient bureaucrat. Both will have some support within the party and the bureaucracy, but there must be a question as to whether it will be strong enough to continue the present daring policies. Younger, brighter candidates are moving into supporting roles a hopeful sign. But only time will tell, and with Deng a near-octogenarian, that time cannot be far off.

Editorial production of this survey by Mike Smith; Layout: Phil Hunt.

IN THIS SURVEY

POLITICS	Deng and his men	Page III
PLUS	Population Crime Foreign policy Hong Kong dispute	Page I II III IV
PEOPLE AND PLACES	Goodbye to the communes	Page VIII
PLUS	Shanghai Tianjin The flooded masses Canton	Page VI VII VIII VIII
THE ECONOMY	The oil moguls move in	Page VI
PLUS	Economic overview Agriculture Shenzhen special economic zone	Page V V VI
BUSINESS	Through the open door	Page IX
PLUS	Trade organisations Trade partners International finance Foreign investment law Businessman's guide Foreign trade	Page IX IX X X X XI



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The posters which spell death

Crackdown on crime

MARK BAKER

THE proclamations of death in Chongqing City, Sichuan Province, are unmistakable. Big white character posters covered with the names of criminals, each one underlined, and the verdict on their crimes. A thick red tick spreading across each poster declares that the executioner's job is done.

The posters are everywhere around the streets of this grimy industrial city, once the wartime headquarters of General Chiang Kai Shek. Hundreds of people stare silently at them beside bus stops, on factory walls and outside every police station.

Several weeks ago a convoy of army trucks slowly circled the streets of Chongqing. On the open backs of each truck were clustered groups of prisoners standing with their heads shaved and hands bound. Around the neck of each prisoner was a notice painted with his name and the sentence of the people's court.

After a mass rally beside the Yangtze River watched by tens of thousands of people, 61 men were driven away to be executed. Each by a single pistol shot through the back of the skull.

The Chongqing mass execu-

tion is the largest to be confirmed by correspondents and diplomats since China launched its anti-crime purge two months ago. More than 300 people have been shot since late August in more than 25 cities across southern and eastern China. Less than half of the killings have been acknowledged in the official Chinese press.

Reports of more executions are reaching Peking almost daily and western diplomats are giving credence to persistent, unconfirmed reports that the Government, which has ordered the rounding up of more than 100,000 suspected criminals by next February, plans to execute as many as 5,000 of them.

On a main road in the northern district of Chongqing is a gruesome street gallery filled with the portraits of those who have already died. They were mostly young men, many teenagers.

According to the Chinese authorities, almost all of those executed were murderers, rapists and violent robbers. Other sources say many were arrested, tried and executed within days as local public security officials rushed to carry out orders from Peking for swift and decisive action against crime.

In Shanghai last month a 41-year-old peasant, Liu Xinhao, was executed for struggling with two women after an argument when he refused to make way for their car. He was found guilty of tearing at their

clothes and "humiliating" them in public. Six youths were shot for street fighting.

In Chongqing, with 6m people the biggest city in the most populous province of China, the purge has created considerable fear among ordinary people.

Many youths will not go out at night to risk being rounded up by over-zealous police and sent to join thousands of others who have already been packed off to work in forestry labour teams in remote mountain areas of western Sichuan.

At least 300 prisoners have been shot since August and thousands more may follow

The Chongqing authorities are said to be particularly sensitive because of security around the city's big armaments industry, which makes tanks, guns and other weapons for the people's liberation army. There have been a spate of robberies by gangs armed with stolen pistols. Two youths are said to

have been shot dead earlier this month after a gun fight with guards at one forestry camp.

Chinese officials blame the apparent increase in crime and particularly violent crime, on the breakdown of law, order and education during the cultural revolution, and the re-emergence of the wandering bands of armed criminals who have periodically surfaced during China's frequent periods of political and social turbulence.

The youth of many of the offenders, often teenagers or people in their early 20s, is a notable feature of those chosen for execution so far. As China opens up to foreign investment, technology and tourism after two decades of isolationism and internal turbulence, China's leaders appear to fear that without draconian measures the "open door" strategy might be jeopardised and opponents of this policy given ammunition for their views.

The Sichuan number two prison—a grey Dickensian complex of engineering factories and crowded concrete dormitory blocks surrounded by banks of barbed wire and electrified trip lines—is a forbidding testimony to China's crime problem.

The prison, on the edge of Chongqing, accommodates only life sentence prisoners and those sentenced to death with a two year suspension. In the past three years the prison's population has jumped by 300 to its capacity of about 2,000. Most inmates are between 25 and 30, people who grew up during the

lawless era of the cultural revolution.

According to prison authorities, 10 per cent of them are serving sentences of "counter revolutionary crimes"—political prisoners jailed for their "leftist" activities during the cultural revolution and its aftermath.

"But most of the new prisoners who have come here in the last few years committed murder or robbery or were members of criminal gangs. They include rapists," says Mr Liao Zhenbing, one of the governors. "The nature of the cases has become more serious over the last few years and the methods of committing crimes are more serious."

Mr Liao and his colleagues boast about their humanitarian reform programmes and proudly emphasise that the prison's wire coating plant, truck parts factory and electrical workshops now earn \$10m a year and enable the prison to return an annual profit of \$4.7m to the state.

"The principle is that we have to treat offenders as human beings," says the prison's political commissar, Mr Shen Fugan, a beaming cadre who wears the starched white uniform with red collar tabs of the public security bureau. "Our principle is no beatings, no abuse, no ill-treatment and no insults."

The execution posters now spreading through the streets of Chongqing and other Chinese cities suggests a different story.



A convicted prisoner kneels down shortly before he is executed in Canton Province last month. His placard proclaims him to be a murderer. The cross means he will die

How 15 prisoners were tried and shot

THE following eyewitness account was given to Colin MacDonnell by a foreign visitor to China.

"Early last Tuesday I saw a truck carrying 15 prisoners and their armed guards parading through the streets of Zhanjiang. They were all young men. Among them was a policeman accused of raping two cement factory workers in a field. People in the crowd said he had a beautiful wife—an actress—and two children—but they couldn't understand why he'd raped these women."

"Someone shouted to him from the crowd, which made him angry. He answered with what sounded like a torrent of abuse. The guards grabbed him and nearly throttled him. 'The prisoners were all bound hand and foot with placards round their necks describing their crimes. The truck took them to a large auditorium outside the town where there were something like 50,000 people. I couldn't see anyone that looked like lawyers or judges, only policemen and soldiers."

"The trial was pretty short. Someone just read out the crimes, as they've been reported in the wall posters since. Then they took them off to a field and shot them three times in the back of the neck. The crowd seemed to be enjoying it but I was nearly sick."

Still booming despite harsh measures

Population

MARK BAKER

AT THE Sun Yat-Sen hospital in Canton the women line up in a corridor along rows of wooden benches to await their abortions. A middle-aged doctor stands by the open doorway of the operating room, marshalling them through like a traffic warden.

Inside the small room three old steel-frame beds are positioned against a wall of grubby white tiles. Another doctor moves along the ends of the beds with a vacuum machine and a tangle of rubber pipes. After each operation the woman is allowed to rest for about five

minutes before being told to walk out and make way for the next patient.

Sun Yat-Sen hospital is one of the biggest in Canton, capital of China's southern province of Guangdong. Last year more than 624,000 abortions were performed in the province. According to the local family planning authorities, 80 per cent of the women had their pregnancies terminated by order, a third of the terminations were in the sixth month of pregnancy or later.

Guangdong has become renowned in China for the vigour with which it has taken up the national Government's orders to limit families to one child and to contain China's bursting population, currently more than 1bn people, to a maximum of 1.2bn by the year 2,000.

The Government is still drafting a national birth control code. It has left it to individual provinces to decide what measures they will adopt to enforce the policy. Guangdong, a province of 60m people bordering Hong Kong, has responded with ruthless efficiency. All women who become pregnant after having one child must have an abortion and couples with two children must accept sterilization of either the husband or wife. In May and June this year a total of 1.15m family planning operations were performed in the province.

Draconian

China's tough population control drive is a matter of necessity. The population has doubled since the 1949 Communist Revolution and the massive additional demand for food, housing and other facilities is estimated to have swallowed up most of the gains of economic development in the past 30 years.

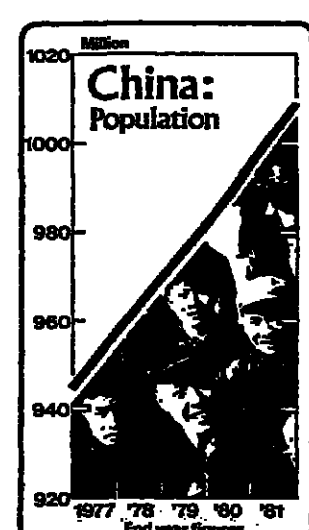
Despite the concerted measures adopted since 1979, the population is still expanding by about 13m a year—or a staggering 25 births every minute—causing chronic overcrowding in the cities and placing even greater strain on the country's already stretched farming lands.

The draconian measures are producing alarming side effects. Many new-born girls are being killed by parents determined that their only child must be a boy, many women are being forced against their will into abortions and sterilization and a generation of Chinese is emerging that will be cut off from the traditional support and security of a large family.

A spate of reported cases of female infanticide has drawn a worried reaction from the All China Federation of Women and senior government leaders. While the Government has attempted to play down the significance of the phenomenon, the details it has altered out through the Chinese Press suggest that it is widespread and may be increasing.

A four-year survey by the women's federation in two counties in the central province of Anhui concluded: "The sex ratio of newly-born babies is getting out of balance. In some cases it has become five-to-one in favour of boys." It found that in one production brigade of about 100 families, 40 new-born girls were drowned in 1980 and 1981.

Another report in the Canton newspaper, Nanfang Daily, said at least 210 girl babies were killed in two counties in Guangdong last year. "In some villages they keep a bucket of water by the mother's head as she is giving birth," the newspaper said. "If the screaming infant turns out to be a girl, she is immediately drowned." Other girls were abandoned in caves and thrown



selling" until they agree to an abortion.

Neighbourhood family planning teams have responsibility for distributing contraceptives and supervising newly-married women. Hoardings and propaganda banners in cities and villages extol the virtues of one child. "Eugenic and well-bred," declares one poster. Many hoardings have pointedly replaced the word "one" with "male only child with a female."

Those couples who agree to have only one child are rewarded with wage bonuses, free medical care for the child and priority on kindergarten waiting lists. Those who have more than one child have their wages cut and are denied other perks.

Despite the intensity of the campaign, there are signs that its success is patchy, that there is widespread defiance by people in rural areas and laxity in the enforcement measures applied in some provinces.

In 1981, the last year for which comprehensive statistics are available, 5.9m babies were born to women who already had one child and 1.7m to women who had two or more children. A third of the 170m Chinese women or child-bearing age still use no form of contraception and only 10 per cent of the women have signed the Government's one-child pledge.

In Sichuan, with 100m people the most populous province in China, the amount of arable land per person has shrunk to one-fifth of the area in 1949. The national authorities have proudly advertised that the province's birth rate has dropped from 4.1 per cent in 1970 to 1.6 per cent last year, but pro-

vincial family planners admit they face considerable opposition in trying to enforce the one-child rule.

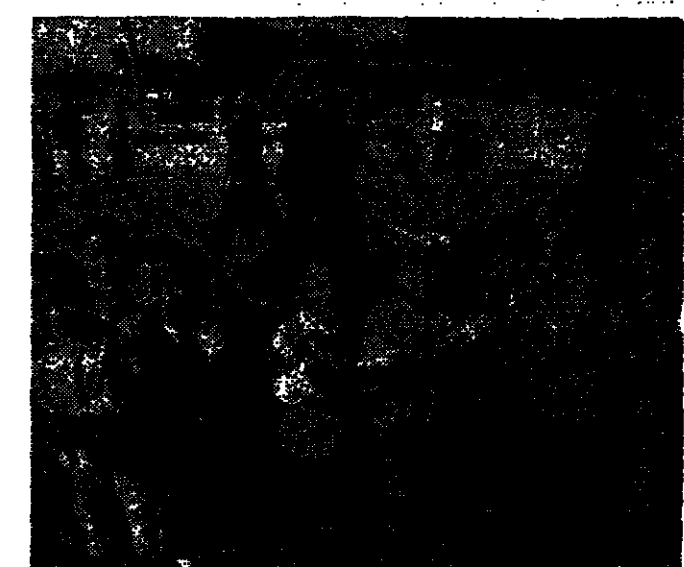
The deputy director of the Sichuan Family Planning Commission, Mr Luo Xinhong, says the commission is still allowing many rural people to have two or more children and he claims "only a very few" forced abortions are performed.

Lenient

"We believe we should be more lenient to people in the countryside," he says. "Their education level is not very high. They need boys to work the land and the cost of daughters when they marry is very high. It will take time for them to realise the importance of family planning."

That view is not shared by the minister in charge of the national Family Planning Commission, Mr Qian Xinhong, who advocates a firm action. He hinted that even stronger measures are being contemplated to keep the population under 1.2bn. To keep within the target, he says, "the state policy on one-child families, controlling second births and resolutely opposing more births might be readjusted."

That can only mean a stepping up of compulsory abortion and sterilization action, without legislative action, continuing infanticide. But in the minds of the leadership is the forbidding knowledge that by the year 2000 another 200m couples will marry. Even if kept to one child, they will produce more people than are already crammed into all the cities of China.



More boys than girls: males outnumber females by 30.7m and the one-child, one family rule is distorting the ratio further

Export Business of Sichuan Animal By-Products

Sichuan, with its warm climate and fertile land, has both a great variety of wild animal resources and traditional habit of raising domestic poultry and animals. In the past few years with the implementation of the policy of encouraging external contacts and of working to bring about a lively domestic economy, Sichuan has provided the development of animal products and provided increasingly sufficient supply for expanding export business of animal by-products. Sichuan bristles, camels, feathers and raw goat skins, etc. are traditional export commodities, which are famed in the international markets for their long standing history, special purity and excellent quality.

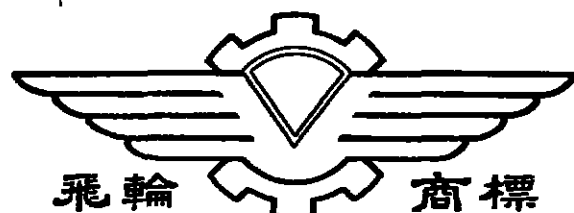
Since 1981, being a newly opened trading place, China National Animal By-Products & Animal Products Imp. & Exp. Corp. Sichuan Branch has been directly exporting feathers and down-land products, fur products, leather shoes, leather goods, working clothes, raw goat skins, pig leather, etc. All abroad commodities are of top quality, nice and durable in workmanship, novel and fashionable in styles and reasonable in prices.

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- (3) Ready-to-wear garments: Various knit-wear made of the above mentioned fibres, garments, embroidered blouses, and embroidered garments made of the above-mentioned fabrics, silk wadding jackets, and silk jackets wadded with cotton, and brasieres.
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Politics

CHINA III

Deng and his men tighten their grip

Internal politics

MARK BAKER

PEKING—Deng Xiaoping was not seen much during the opening session of the sixth National People's Congress in June. Mr. Deng led officials onto the stage in the Great Hall of the People on the first day of an enthusiastic ovation, listened to a brief opening address, chain-smoked his way through a few cigarettes, then left.

The impression of a retiring elder statesman was false. After five years of masterminding the Chinese economy and administration, Mr. Deng could enjoy the luxury of taking a supporting role, or at least appear to.

The congress was to be more of a procedural event than usual, but one which marked an important stage in China's transformation from the chaos of the cultural revolution to a new era of pragmatic reform and opening to the world.

It put the finishing touches on a sweeping reorganisation of the state bureaucracy begun at the previous session late last year, installed veteran economist Mr. Li Xianmin in the largely ceremonial post of president and emphasised the leadership's commitment to steady change based on an identifiable legal system.

But the most important outcome of the congress session was the way in which it underscored Mr. Deng's position as the undisputed leader of China.

The State Council, under the leadership of Mr. Deng's protégé,

Premier Zhao Ziyang, and the 45 Government ministries and administrative commissions are now firmly controlled by officials committed to Mr. Deng's policies. Notable dissenters, and those labelled as "leftist" remnants of the Gang of Four era, have all departed from these positions of direct power at least in the higher echelons of the party.

The congress also ratified the formation of a new Central Military Commission, designed to shift control of the People's Liberation Army away from the party. While the membership of the new commission is identical to the old party body, Mr. Deng has kept the chairmanship. Extensive reforms and staff changes within the military over the past year are believed to have isolated most of the significant critics of the new regime and made the PLA more answerable to the hierarchy.

Autonomous

A major reorganisation of the structure of provincial government has also been undertaken since late last year. The party and Government leaderships in virtually all provinces, municipalities and autonomous regions have been purged of remaining leftist influence and infused with younger and better educated officials.

While the Government acknowledges continuing resistance in a few provinces and regions, notably Hunan, Guangxi and Yunnan, and displaced leaders are said to continue to exert unofficial influence in some areas, western diplomats believe remaining opposition has been contained and certainly poses no serious threat to the objectives of the central authorities.



Mr. Deng and the men most likely to succeed him, premier Zhao, and party secretary Hu

The one big area still to undergo reform is the 38-member Communist Party, the membership of which more than doubled during the cultural revolution. A "rectification" campaign which began after the congress is expected to continue over the next three years.

The groundwork for the campaign was laid in July with the publication of the "Selected Works of Deng Xiaoping," a collection of speeches, articles and interviews given by Mr. Deng since 1973. The works have become the focus of intensive political study sessions throughout the country and are seen as the ideological framework on which the campaign will be conducted.

It is expected that at least 4m people will lose their party membership. Every membership is to be reviewed and those members who joined during the cultural revolution and cannot demonstrate a suitable change of heart can expect to lose their cards. Formal guidelines for the rectification drive are expected to be announced at a plenary session of the party's central committee in mid-October. They are expected to be tough.

The degree of success which

Mr. Deng has in shaking up the ossified rump in the party will provide a real test of his power. The intensive preparatory campaign surrounding Deng's works is already giving a new dimension to his previously self-deprecating profile in the leadership.

In the past, Mr. Deng has opposed strongly the sort of personality cult which surrounded Mao and enabled the sort of excesses which occurred late in the chairman's life. He has seemed content to direct China's political affairs at least ostensibly within the context of a collective leadership, and he has spurned the presidency or other titles matching his true authority.

But the study campaign surrounding Deng's works has increasingly, perhaps unavoidably, focused on Deng the outstanding leader and architect of China's current prosperity and modernisation drive. At times it has had the hallmarks of cultism. An article in the latest issue of the army newspaper, Jiefangjun Huabao, reads: "Comrade Deng Xiaoping is a true materialist, a model combining revolutionary courage and realistic spirit while at the same time serving as an example

in observing the ideological line characterised by the search for truth from facts."

In the five years since he took firm control in China, the achievements of Mr. Deng and his lieutenants have been formidable. Extensive reforms have been achieved in agriculture and industry which are beginning to harness China's economic potential, personal incomes have more than doubled and the country is on a sound footing to exploit foreign investment and trade. More significant has been the restoration of political order and drafting of civil and commercial legal codes.

But two clear problems lie ahead. What happens after Deng's death? And can China satisfy the rapidly-expanding expectations of its people for better living standards which the new policies have spawned?

Assistants

While the maintenance of China's present policies seems assured while Deng remains active, there is still doubt about the direction China will take when he has gone. Deng has been careful in grooming his successors but many Western

his sudden death or incapacitation.

Certainly Mr. Zhao and Mr. Hu are seen to be gaining stature and much greater apparent public acceptance, and are being encouraged to further consolidate their positions by taking a bigger role in foreign policy. The likelihood of their being able to take over the reins in smooth succession is made greater by Mr. Deng's continuing good health and the lack of any obvious rivals.

A more immediate problem for China's leaders are emerging signs of social stress, much of it an apparent consequence of the more liberal economic and social policies.

The so-called responsibility system has created new wealth in the cities and the countryside and the expectation of more.

According to some party officials, China's better educated and better-fed youth are no longer ready to accept whatever the party says as gospel and are hungry for more freedom and a fuller life. They, and many of their parents, have discovered the rewards of following their own initiative and, as China's doors open

more to the west, are comparing their position with the wealth that others enjoy.

The growth in China's prosperity has been accompanied by a growth in crime, including serious fraud, violent robbery, murder and rape. The leadership has laid much of the blame on the legacy of the lawless cultural revolution, but some officials have acknowledged the influence of a slackening in the party's authority and increasing materialism.

The government's answer has been to mount a fierce purge against crime. It has ordered the arrest of more than 100,000 people by next February, extended the death penalty to a range of new crimes and increased jail terms for others and begun to send thousands of idle city youth off to join work teams in the remote far west. As part of the purge, the party has ordered thousands of executions.

The tough measures may provide a temporary answer, but in the longer term the social pressures responsible for the crime wave may become China's biggest political problem.

Relations with super powers improve

Foreign Policy

ANTHONY ROBINSON

PACKED CINEMA audiences throughout China are curiously being treated to a beautifully produced colour film about the burning of the European summer palace in the 1860s and the humiliation suffered by China at the hands of arrogant and brutal British and French forces. At Chengdu, in the heart of Sichuan, Mr. Deng Xiaoping's home ground, it is being shown in a huge Stalinist-gothic mausoleum of a picture palace adorned by giant portraits of Marx, Engels, Lenin, Stalin and Mao.

Walking back through streets packed with cinema-goers there was no trace of animosity to the heirs of this less-than-noble period in the history of 19th century imperialism. But there can be little doubt that public opinion is being prepared to support the claims made by Chinese leaders that the return of Chinese sovereignty over Hong Kong by 1997 is an inevitability which no Chinese government, of any complexion, could or would seek to defer.

Mr. Zhao, Mr. Hu, assistant foreign minister, puts the Chinese view thus: "This question has its roots in the opium wars and subsequent unequal treaties. These were wars of aggression which involve the national feelings of the Chinese people."

"The return of Hong Kong is part of the great cause of unifying China. There is no room for negotiation on the question of sovereignty."

Stability

"Any suggestion that sovereignty and administration might be separated is divorced from reality. The two are inseparable, to accept otherwise would mean accepting one unequal treaty by another. The die has been cast. But China does want to enter into effective co-operation with Britain in the transitional period up to 1997 to maintain the prosperity and stability of Hong Kong."

China was willing to take a number of serious political measures which take into account Hong Kong realities and British interests as well. Provided the British side takes a reasonable, realistic and co-operative attitude there is no reason for a positive solution not to emerge.

The future of Hong Kong has suddenly become the major issue in UK-China relations. It could become a major international problem if it is taken as an indication of China's overall attitude towards foreigners at a time when it has embarked on an "open door" economic policy.

In many ways the posing of the Hong Kong issue is such apparently uncompromising terms contrasts with the basic thrust of the rest of Chinese foreign policy.

China's relations with the U.S. and the Soviet Union, for example, have improved considerably in recent months as China has sought a more balanced position between the



On the China trail: Mr. Weinberger, Mr. Ilyichov and Mr. Schultz

two superpowers. The improvement is more substantial in the U.S. case where a whole string of irritating, but relatively minor issues, have been settled. This has paved the way for a Deng-Xin'an summit meeting in Peking next April, before the U.S. presidential campaign gets into full swing.

A procession of top U.S. officials have visited China in recent months—including Mr. George Shultz, the Secretary of State, Mr. Malcolm Baldrige, the Commerce Secretary and Mr. Casper Weinberger, the secretary of defence. Chinese Prime Minister Zhao Ziyang is due to visit Washington in January.

The Taiwan Relations Act still remains the main Chinese grievance but the harmful textile dispute has been settled. China's decision to join the International Atomic Energy Agency is expected to lead to Sino-U.S. co-operation in nuclear power and Mr. Weinberger's visit is also expected to lead to some co-operation in defensive arms sales.

Relations with the Soviet Union remain on a much lower level, revealing that although China wants to improve its relations with both super powers there is no question of equal distance between them.

The Soviet Union's China expert Mr. Mikhail Kapitsa, recently spent a week in China during which time he set up this month's visit of deputy Foreign Minister Mr. Leonid Ilyichov. But at the end of his stay he attempted to suggest that Sino-Soviet relations were improved by his "business-like talks" was quickly qualified by vice Foreign Minister Qian Qichen.

In his farewell speech at Peking airport, Mr. Qian pointedly remarked: "We must not forget there are still obstacles in the way of Sino-Soviet relations."

Subsequently China added the presence of Soviet SS-20 missiles targeted on Asia as a specific Chinese complaint in addition to the three traditional obstacles—Soviet occupation of Afghanistan, Soviet support for the Vietnamese incursion into Kampuchea and the presence of nearly a million Soviet troops along the Sino-Mongolian and Sino-Soviet borders. Nevertheless, it is reported to have eased substantially in recent months. The opening up of

more border trade crossing points and trade protocols provide for a quadrupling of two-way trade to around \$800m this year. China has demonstrated furthermore that it does not intend to make an issue of the Soviet shooting down of the South Korean jumbo jet over Sakhalin island.

Elsewhere in the communist world China has moved to improve its relations with eastern Europe and improve relations with other communist parties.

In Asia, China's relations with India remain cool but correct whilst tension has subsided on the Sino-Vietnamese border, although strong differences remain with Vietnam over Kampuchea and Soviet bases like Cam Ranh Bay.

Any large-scale discovery of oil in Chinese waters could carry future complications as some areas are disputed with

South Korea, Japan, Vietnam and others.

Japan remains China's most important economic and trade partner and both sides share the wider Asian apprehension over the progressive build-up of Soviet military, naval and strategic forces in the area.

China is somewhat two-minded over the Nakasone's Government's "unmistakable aircraft carrier" strategy, but it is happy to see Japan sharing its own strictures on the need to guard against Soviet military might. It is closely watching signs of any re-emergence of Japanese militarism.

The agreement to open diplomatic relations between China and Angola was one of the high spots of an 11-nation African tour by Prime Minister Zhao Ziyang last December and January during which he re-emphasised China's continuing interest in the continent.

China no longer harbours great dreams of inspiring revolutionary change but remains keen on countering Soviet influence in the area. Mr. Zhao urged his hosts to concentrate on strengthening their own unity and independence rather than continue the kind of fractiousness which risked making them prey to great power intrigue. In so doing Mr. Zhao effectively staked out China's view of itself as a third force, untainted by "hegemonistic" tendencies and sharing many of the hopes, aspirations and problems of other developing nations.

China seems to view western Europe in a somewhat similar way, favouring signs of a more concerted approach towards the Soviet Union, at least in military matters like missile deployment, and anxious to see it develop greater political autonomy.

Meanwhile China has successfully developed its own submarine-launched ballistic missiles, maintains a nuclear deterrent force whose size and function it compares with Britain or France, and has included modernisation of military equipment and strategy as one of its key policy aims.

At this stage, and for the foreseeable future however, China appears to be concerned to use careful diplomacy to ensure the security it needs to carry out its ambitious economic development plans rather than depend on military might.

Whether diplomacy will allow a graceful and mutually satisfactory solution to the Hong Kong problem remains to be seen.



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Hong Kong is built on Chinese foundations but its superstructure is a product distinct from its motherland

Relationship benefits both sides

Hong Kong's future

ROBERT COTTRELL

THE MOST basic description of the relationship between Hong Kong and China would be to say, as does Professor A. J. Youngson of the Australian National University, that "Hong Kong is a part of China that happens, for the time being, to be administered by somebody else."

The somebody else is Britain, which took its colony of Hong Kong by means of three nineteenth century treaties made with China, two ending hostilities by ceding pieces of land to Britain in perpetuity, and one extending a 99-year lease from 1898 over what now constitutes nine-tenths of Hong Kong's area.

Physically, Hong Kong is part of the Chinese land mass, riched into the southern Chinese coast 100 miles from Canton. Ethnically, its people are 95 per cent Chinese, most from neighbouring Guangdong Province.

Some 40 per cent of today's population was born in China. Culturally, Hong Kong is Chinese. The overlay is not so much British as cosmopolitan, with

American, Indian, Malaysian, Filipino, Australian and Japanese communities, each playing a significant role in the business and social life of the territory.

But if Hong Kong is built on Chinese foundations, its superstructure is a product of an identity distinct from its Chinese motherland. Hong Kong is the free market, while China is the centralised economy. Hong Kong is the cosmopolitan city, while China keeps foreigners at arm's length. Hong Kong stands for the rights of the individual, where China stands for the rights of the community. It is differences such as these which make some Hong Kong people so anxious about reunification with China, even though it was from China that Hong Kong sprang.

Hong Kong and China's distinct identities have come to provide the basis for a tight and mutually supportive relationship. Professor Youngson describes the individuation of Hong Kong and China as being a relatively recent development within Hong Kong's 141 years as a British-run territory. He notes that before the second world war, when Hong Kong was occupied by the Japanese, "Hong Kong was not all that different from China. She was wealthier, certainly, but not enormously so; she changed faster, but not much faster; she relied on private enterprise, but there

was almost as much private enterprise in Shanghai or Tianjin."

It was effectively with the triumph of Mao Zedong's communists and the foundation of the People's Republic of China that Hong Kong and China began to develop their present mutual roles. And it was with the international embargo on China trade at the time of the Korean War that Hong Kong began its fundamental shift from being primarily an entrepot with China to becoming primarily an integral export-oriented manufacturing centre.

China's ante-room

It is easy and commonplace to point to the gains which China makes from Hong Kong. The territory is usually said to supply one-third of China's foreign exchange earnings, an amount estimated at U.S.\$5bn annually by Sir Jack Cater, then Hong Kong's chief secretary, in 1981. Hong Kong is China's ante-room to the west, a place where China's socialism can mesh with international capitalism to explore and profit from foreign business methods, markets and technology.

Hong Kong Chinese send a steady flow of remittances to their relatives back home and spend valuable tourist dollars while visiting.

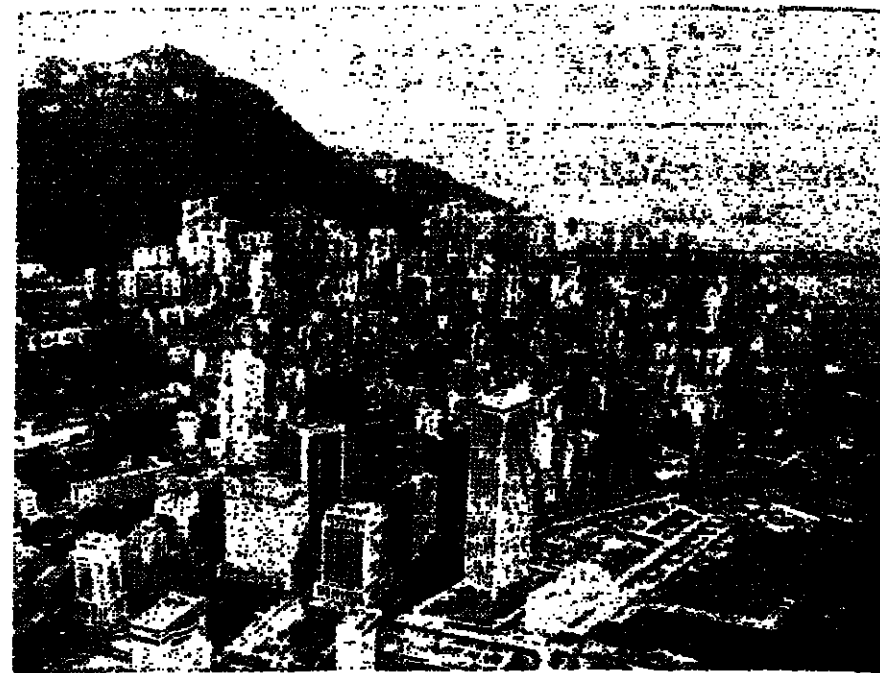
The beneficial relationship is two-way, however. Hong Kong receives a steady

and assured flow of basic commodities—foodstuffs, water, fuel and raw materials—from a neighbouring low-cost supplier.

Dr Y. C. Jao, reader in economics at the University of Hong Kong, has estimated that for the period 1961-73, Hong Kong's cost of living would have been at least 15 per cent higher if it had not imported its food from China. Since then, argues Dr Jao, Chinese foods have maintained their competitive edge, "thus it is not an exaggeration to say that China's export-pricing policy has indirectly subsidised Hong Kong's post-war industrialisation."

And for the future, Hong Kong now looks hopefully for another phase of growth towards an investment programme which it is for Peking to dispose—the development of China's offshore oil reserves, an undertaking which may require total expenditure of as much as \$35bn, according to an estimate by Citibank vice-president Mr Thomas Emmons. While Hong Kong may see relatively little participation in the physical aspects of the oil search, it may well have a key role to play in mobilising finance and affording rest, recreation and professional services to the oil companies.

* In his introduction to "China and Hong Kong, the economic link," Oxford University Press, Hong Kong).



The business centre in Hong Kong.

In the re-export field Hong Kong serves as an entrepot for China's trade with third countries

Sharp rise in two-way trade

Trade between Hong Kong and China in recent years reflects broad political shifts within China which have affected both domestic economic growth and the openness of the Chinese economy to external trade. As the troubled late years of the Maoist era gave way to the more pragmatic policies identified with Deng Xiaoping, Hong Kong-China trade increased dramatically, particularly in the re-export field where Hong Kong serves as an entrepot for China trade with third countries.

China's exports to Hong Kong increased strongly but steadily, from HK\$3bn in 1977 to HK\$15.5bn in 1979 to HK\$29.5bn in 1981 and HK\$33bn in 1982. In 1982, China displaced Japan as Hong Kong's largest supplier of imports. Domestic exports of

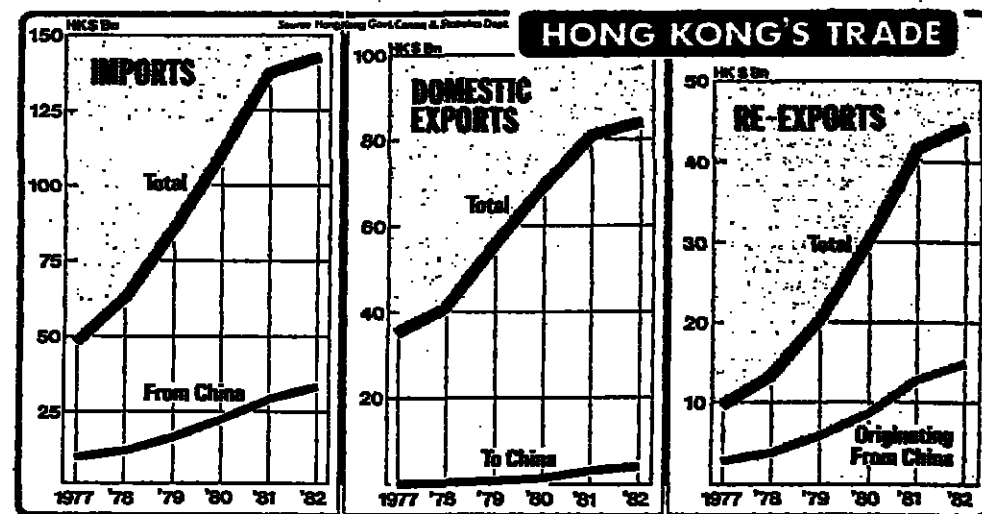
Hong Kong goods to China rose from HK\$31m in 1977 to HK\$503m in 1979 and to HK\$3.8bn in 1982.

Re-exports from Hong Kong of goods originating in China rose from HK\$2.5bn in 1977 to HK\$4.4bn in 1980, and again to HK\$14.7bn in 1982.

China became by far Hong Kong's largest re-export supplier in 1982, with Japan in second place originating HK\$9bn of re-exported goods.

First stirrings

Overall, Hong Kong's two-way re-export trade through Hong Kong totalled HK\$22bn in 1982—an increase of 9 per cent in a year when Hong Kong's total world exports increased by just 4 per cent. Over the period relating to 1983 the boost in China trade meant



Uncertainty over 1997 hits business

While Hong Kong and China's commercial relationship is well-established and smooth running, the territory is currently proving an acute political problem for both its British administrators and its Chinese claimants.

Britain's lease over most of Hong Kong expires in 1997. While Hong Kong Island and the southern tip of Kowloon were made over to Britain in perpetuity, the leased area of the new territories contains Hong Kong's airport, port, reservoir, power stations, half its population and most of its industry.

Moreover, China has made it clear that it regards all three territories relating to Hong Kong as having been extracted on unequal terms, and therefore not binding on China. China has said it wants all of Hong Kong back under Chinese sovereignty in 1997, and it claims as a function of sovereignty the right to establish the form of Hong Kong's administration.

In negotiations with Britain which began in July and have continued intermittently, China is thought to have been resisting a British argument that Hong Kong's prosperity and stability would be best assured by preserving a British-linked administration even after 1997. Though the negotiations themselves are confidential, China has said publicly that it wants Hong Kong to be autonomous after 1997, run by Hong Kong people under Chinese sovereignty.

Critics of China's Hong Kong policy say that a British administrative linkage is needed beyond 1997 to

guarantee Hong Kong's economic and social freedoms. They say that without such a linkage, Hong Kong would have no defence against erosion or engulfment of its capitalist integrity.

China seeks to counter such fears by pointing to its own increasing pragmatism and economic liberalism, noting that China's modernisation is bringing it closer to Hong Kong in sophistication and integrity.

Hong Kong sceptics say that there is no guarantee that China will sustain its recently-explored pragmatism and economic liberalism into the indefinite future, and that while China is modernising, an enormous gulf still remains which would, at best, take many decades to close.

Uncertainty over Hong Kong's future is considered the major force behind a slump in the Hong Kong dollar to record lows in September, and to a lesser extent the sustained depression in the local stock and property markets.

Hong Kong appears to have surprised even itself by the extent of its reaction to the "1997" issue over the last 18 months. Many influential Hong Kong businessmen and analysts had expected economic considerations to weigh China in favour of tolerating a continued British presence. In practice, however, China has seen Hong Kong in primarily national political terms—part of a process of reuniting the motherland, which stretches beyond Hong Kong to the still more important issue of Taiwan.

The largest capital investor in HK

China is not only one of Hong Kong's largest trading partners but also probably the colony's largest capital investor. According to the Hong Kong Government's Trade Development Council, "China is thought to have invested U.S.\$3.5bn in Hong Kong, largely in business ventures like banking, insurance, shipping, retailing, property and manufacturing."

The Hongkong and Shanghai Banking Corporation has estimated that China spent some HK\$5bn on property in Hong Kong during the period 1977-82. One of Hong Kong's largest new office complexes is the headquarters of China Resources, a Peking-owned conglomerate which has spent an estimated HK\$800m on the development.

9 per cent increase

The Bank of China last year agreed to pay HK\$1bn for land on which to build a new Hong Kong headquarters. The building is expected to cost as much again and is being designed by the eminent architect I. M. Pei.

China's presence in Hong Kong is most obvious in this banking sector, where the 13-

strong "family" of Peking-owned banks, led by the Bank of China, is estimated to control some 25 to 35 per cent of the local market.

Such a volume of business would make them second only to the Hong Kong and Shanghai Banking Corporation by market share. The Peking-owned banks have more than 200 branches, linked by a central IBM computer which allows customers of one bank to do business at any branch of any sister bank—an innovation which, when introduced in 1979, helped the banks add 14,000 new accounts in one month.

The China Resources conglomerate includes export agencies for Chinese cereals, oils, animal products, textiles, metals and machinery. Operating in Hong Kong since 1948, China Resources only this year incorporated itself as a Hong Kong company—a move seen locally as a confidence-building gesture towards Hong Kong's business community.

China Resources is also majority partner in one of Hong Kong's largest-ever capital projects—the development of a new town at Tinsuiwai in the new territories. In joint venture with the Hong Kong

Government, China Resources and other partners plan to construct a town of 170,000 people on a 170-hectare site reclaimed from marshland.

Other PRC firms playing a leading role in Hong Kong life are the China Merchants Steam Navigation Company, estimated to carry one-third of all sea freight from China; the China Travel Service, which handles incoming tourists; and the new China News Agency, which doubles as a news agency and China's unofficial diplomatic legation in Hong Kong.

Bank of China

Lately, Hong Kong has seen the first stirrings of a new generation of PRC entrepreneurs, products of pragmatic freewheeling style. Notable among the newcomers is Everbright Industrial Corporation, whose boss, Wang Guangying, says he is backed not only by a Chinese government loan but also by private equity from former PRC capitalists. Everbright has rented a floor in one of Hong Kong's newest and shiniest office blocks, and actively courts publicity in contrast to the normally reticent style of Chinese state corporations.

Capital investment, as well as trade, is a two-way process. There is Hong Kong investment in China, but its proportional significance in national terms is far less than that of China in Hong Kong. An exception is in the special economic zone of Shenzhen, just across the border from Hong Kong.

Shenzhen is by far the most developed of China's four SEZs, and said in May this year that it had attracted pledged investments of foreign capital totalling HK\$11bn.

Pledged investment is money which will be spent only when every phase of every project is actually completed. Actual expenditure at that time was a mere modest HK\$1.7bn.

Hong Kong investors are estimated to account for nine-tenths of Shenzhen's foreign capital inflow, attracted by its cheaper land prices and overheads for both real estate and manufacturing development.

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Economy

Modernisation plans 'here to stay'

Economic trends
ANTHONY ROBINSON

PERSUADING foreign businessmen and the Chinese population alike that the policy of "four modernisations" is here to stay is one of the top priorities of the Chinese leadership.

The record since 1949 is, after all, not that encouraging. The first decade of economic growth was followed by turmoil during the "great leap forward" and the efforts made to correct this aberration were subsequently thrown to the winds again during the decade-long nightmare of the cultural revolution.

China has suffered greatly in the recent past by the highly un-Marxist disdain of some of its leaders for the economic consequences of their ideological fantasies.

In the four years since the rise to power of Deng Xiaoping and his ageing followers, however, China has embarked on a rational economic strategy of balanced economic growth and sectoral modernisation. The strategy takes into account China's existing backwardness, its predominantly rural and agricultural nature, and the example of rapid economic growth demonstrated by non-communist Asia, including Hong Kong, since the war.

China long ago rejected the Stalinist model based on the forced growth of heavy industry.

Its current policies bear close resemblance to the ideas advocated by Nikolai Bukharin in the 1920s. He argued that peasants should be encouraged to grow rich if by so doing they could supply food to the cities and create both a market for industrial produce and a pool of voluntary savings to be used for investment in all-round modernisation. Bukharin was shot by Stalin for his pains and

remains a non-person in his homeland.

Today the Soviet Union is still badly fed, imports 40m tonnes of grain a year and supports a bloated heavy industrial structure whose main function is to supply the inflated needs of the Soviet military.

Over the past four years China has emphasised the first three of its four modernisation programmes: agriculture, industry and science and technology. Modernisation of the military has taken fourth place with a budget of \$9bn plus an unspecified amount for research and development including that for its nuclear deterrent force, tucked away in the folds of civilian budget allocations.

International

The most spectacular results have been achieved in agriculture, aided by four years of good weather. By abolishing the hated and repressive commune system, encouraging farmers to select their own crops and raising procurement prices to international levels—production of grain and cash crops have soared. Peasant incomes and savings have risen rapidly as a result, and the entry of the peasantry into the cash economy has both improved food supplies to the towns and increased deliveries of industrial raw materials for the textile industry and a whole host of food processing activities.

At the same time higher rural incomes have provided a rising market for industrial products, especially consumer goods like bicycles, radios, televisions and textiles.

Chinese economists are stressing the development of light industry. This is partly because it is capable of producing quickly the kind of consumer items which are required to provide real incentives and a sense of rising living standards to a people deprived for too long. Another reason is that such industries are typically

less capital intensive in a country short of capital, and bigger employers of labour, of which China has a huge and growing surplus.

A recent study quoted by economist Liang Wensan asserted that each one million yuan (\$500,000) of fixed assets invested creates 94 jobs in heavy industry, 257 jobs in textiles and 800 jobs in small peasant sideline industries, producing pots and pans, crockery, clothing, handicrafts, small agricultural implements and other necessities. At the same time it takes an average 5 years 7 months to recoup capital in heavy industry and only 22 months in light industry.

It is hardly surprising that the Government is trying desperately to curb the investment hunger and wastefulness of the old Stalinist-style heavy industry lobby and shift investment away from grandiose steel projects and the like towards light industry and the fulfilment of ambitious plans to improve communications and other vital infrastructure development.

Curbing the appetites of what the Soviets call "the metal eaters" is proving a difficult task, however. Total investment in "capital construction" rose more than 20 per cent over plan last year and a sharp curbs in bank lending and moves to block some projects in course of completion has recently been decreed.

The need for technical updating and a more market orientated approach by the managers and planners in the huge, still largely state or province-run heavy industrial factories was dramatically underlined recently by the Minister of Finance. He revealed that some 13m tonnes of rolled steel is rusting away in Chinese warehouses while a further \$31bn worth of obsolete machine tools suffer the same fate. Under the old system of quantitative indices, set by the central planning authority, the



Production of light industrial goods such as televisions is being given strong emphasis

factories kept churning out the old lines, despite the fact that no-one was buying the products. In many places this still continues.

Meanwhile the decision has been taken to continue work on the huge integrated steel plant being built at Baoshan near Shanghai. This monument to the sort of ill-planned, grandiose projects started in the late 1970s is expected to cost at least \$23bn, much of it in imported foreign machinery.

Inefficient

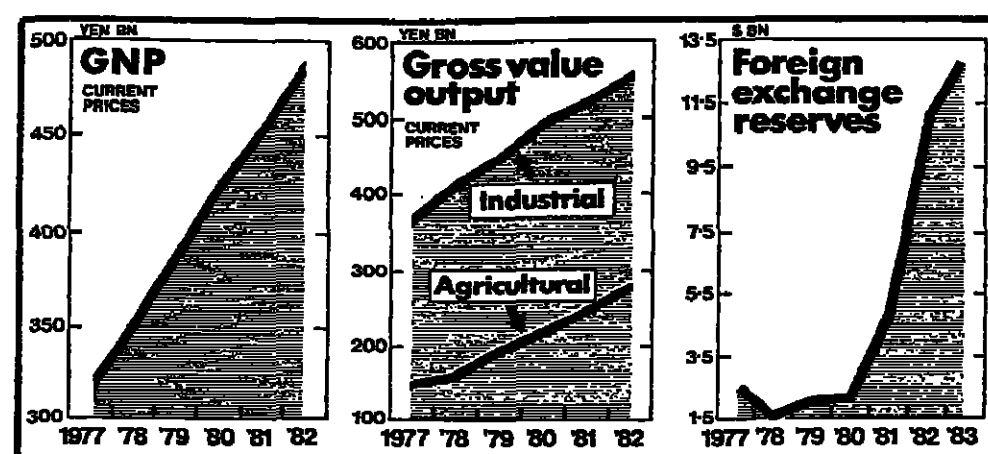
Apart from the legacy of over-manned, protected and inefficient state industries China also suffers from a still largely unreformed price structure. Huge subsidies to coal, electricity, basic foodstuffs and other items encourage their wasteful use and defeat attempts to use scarce resources more rationally.

The shortage of educated personnel, especially technical and managerial cadres, is another major weakness.

The future progress of the economy depends largely on the outcome of the present intensive exploration effort involving most of the world's oil majors. Hopes of quadrupling foreign trade to around \$160bn annually by the year 2000, for example, is heavily predicated on oil exports generating much of the hard currency required to import technology imperatives including those required for the oil industry itself.

Meanwhile, the policy of establishing relatively modest growth targets of around 5 per cent annually with the aim of

leaving a margin for the unexpected and local initiative appears to be paying off. Agricultural output grew by 11 per cent last year and agricultural production rose 7.7 per cent. These fast rates apparently continued over the first nine months of this year. Exports continued to outpace imports by 19.86bn yuan to 18.7bn yuan over the first six



months and this, aided by tourist receipts, remittances and other invisibles, contributed to a further rise in reserves to around \$13bn in August, up from \$11.1bn last year and only \$2.2bn in 1980.

China is still a very poor country and very backward compared with its non-communist Asian neighbours. But the last four years have seen

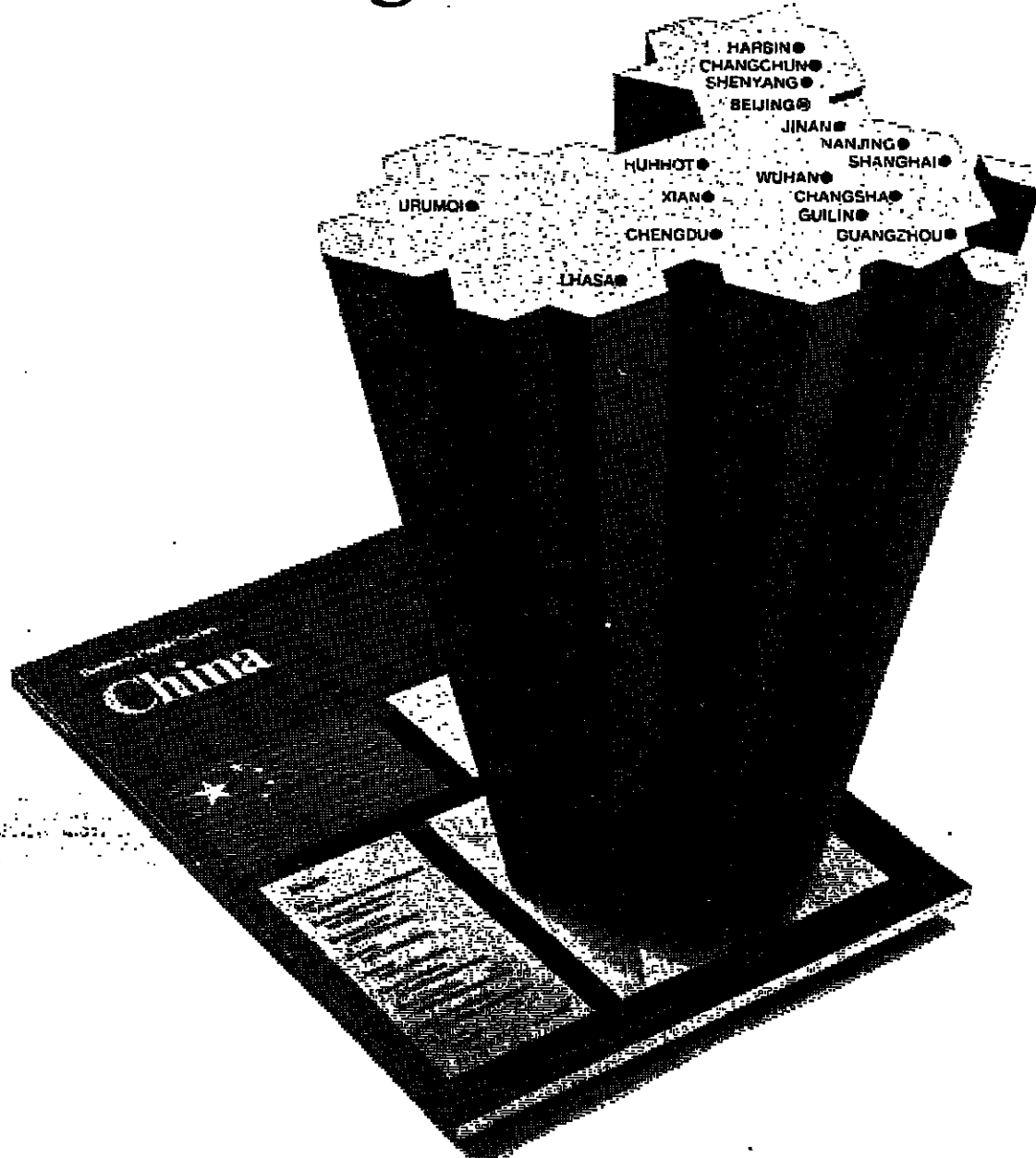
substantial progress towards the goal of establishing by 1990 the general basis for substantial growth and modernisation in the decade beyond.

By the year 2000 China hopes to have quadrupled its national product and become a modestly prosperous industrial-agricultural country with a sound infrastructure.

The optimists say that China

has learnt a lot through harsh experience over the last 34 years and will not brook any return to the errors of the past. There are many subterranean currents beneath the surface of this unique society of a billion people, and many imponderables. But risk-taking is what business is all about, and the rewards could be commensurate.

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Individualism yields rich harvest

Agriculture
ANTHONY ROBINSON

ENRICHISSEZ-VOUS is a simple policy which has been enthusiastically followed by China's 800m peasants since Mr Deng Xiaoping sharply raised the prices paid to Chinese farmers, drastically reformed the commune system and re-introduced a large measure of individual enterprise to the farms.

The results have been impressive. Freed from the Maoist obsession with grain, farmers have been allowed to decide amongst themselves the kind of crops most suitable for their local conditions and positively encouraged to diversify into all manner of cash crops on the side.

As a result the acreage sown to grains has dropped by 8m hectares from 121m hectares in 1978 to around 113m hectares now. Far from falling however, the total grain harvest has risen from 305m tonnes in 1978 to a record 356m tonnes this year. At the same time the production of valuable export cash crops, like cotton — up to a record 3.65m tonnes estimated this year — tobacco, cashew nuts, rape seed and other edible oils, sugar and kind of fruits and vegetables have all shown substantial increases.

As a result rural incomes have risen more over the last five years than any time since the initial burst which followed the end of the civil war and the distribution of



Down on the farm: a worker in vegetable fields near Canton

land to the peasants after 1949. At the same time farmers and small traders have been allowed to take their own produce to market and set up stalls in free markets the length and breadth of this vast country. Food supplies to the towns have greatly improved as a consequence and so has the variety and choice.

But the greatest impact has been in the countryside. Traveling through the country one cannot fail to notice sturdy new brick cottages springing up in the villages, new silos being built to store the bigger crops

and new bicycles everywhere. According to local U.S. agriculture department specialists, farmers are now being paid close to world prices for their grain and even higher for some crops like soy. Consequently, demand is sharply rising for industrial inputs like chemical fertilisers, pesticides and small agricultural implements.

This is not to say that all farmers have benefited equally. The major gainers are those farming good land within easy reach of towns, especially market gardeners. For those farming marginal land in outlying regions, conditions have only marginally improved. Income differences are widening substantially as a result.

But the changes in rural life are not limited to farming. Higher incomes and greater freedom from bureaucratic controls have also led to a proliferation of small-scale rural industries so that, in some areas, up to 60 per cent of peasant family income is made up from sideline employment producing everything from construction materials to rural handicrafts, textiles, spare parts, and a wide range of light industrial products.

China still imports around 12m to 16m tonnes of grain annually, mainly to supply the big coastal conurbations which are easily supplied by sea but

far from the main grain-producing areas inland. But as granaries start to overflow in some parts of Henan, Hunan and Sichuan provinces pressure is starting to grow from these areas to cut back imports and speed up the development of internal transport links to these markets.

Lower grain imports from the U.S. this year are partly a reflection of this improved domestic supply position. But U.S. farming lobbies, well represented in Peking, are actively seeking to expand their market by encouraging more grain feeding to pigs and poultry.

Meanwhile, the main opportunities for Western agricultural exporters appears to lie mainly in the supply of fertiliser plant — especially for phosphate and potassium fertilisers, insecticides, and in high-yield seeds and genetic livestock for breeding rather than such areas as combine harvesters, tractors, and other labour-saving equipment.

As Mr Liang Wensan, one of China's leading agricultural economists, put it recently, increasing the supply of tractors, combines and other labour-saving equipment is equivalent to raising the labour supply.

More fertilisers and pesticides, better seeds and other inputs increase yields. This is the equivalent of increasing the cultivated area.

In an overpopulated country facing problems of soil erosion, deforestation, water shortages, and ever-increasing demands on land for housing and industry the second option is clearly the one to follow, and this is what is being done.

Results over the past few years have clearly demonstrated the enormous reserves of productivity and energy which were smothered by previous policies.

But farmers still have no legal tenure of the land they farm and enjoy no guarantees that they will be allowed to benefit indefinitely from any improvements they make. By the same token there is also no guarantee that the party, or factions of it, will not seek to reassert the power of party cadres in the countryside at some time in the future.

The absence of such guarantees poses a question-mark over the future willingness of Chinese peasant farmers to raise production and invest in modern methods.

AGRICULTURAL PRODUCTION

	1979	1980	1981	1982	% change 1982-81
Grain	332.115	320.52	325.02	353.43	8.7
Cotton	2.207	2.207	2.968	3.598	21.8
Silkworm cocoons (thou. tons)	271.0	326.0	311.0	314.0	1.0
Processed sugar	2.5	2.57	3.188	3.284	6.9
Sugar cane	21.51	22.81	29.67	36.88	24.3
Oil-bearing crops	6.435	7.691	10.205	11.817	15.8
Tea	277.0	304.0	343.0	397.0	16.0
Hogs slaughtered (million heads)	187.72	198.607	194.95	206.63	2.9
Timber	54.39	53.59	49.42	50.41	2.0
(million cubic metres)					

Source: China Business Review

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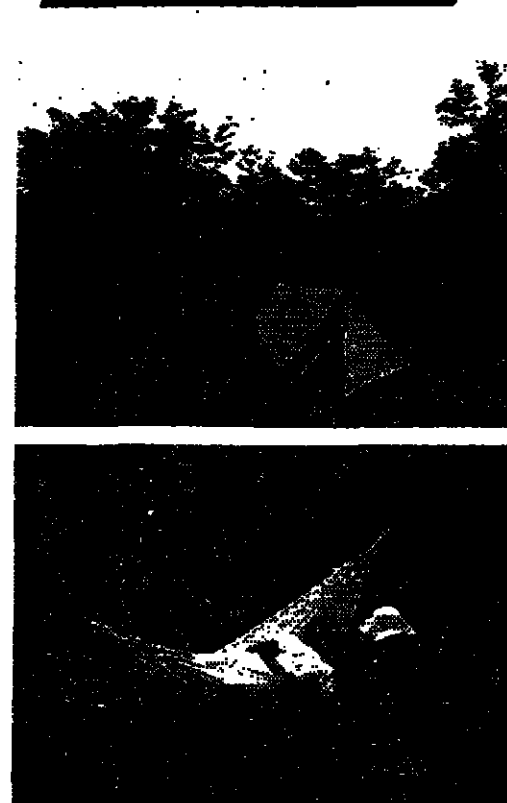
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People and places

CHINA VII



The window to watch: a Shanghai shopper eyes up a western-style suit

Drive to reverse industrial decline

Shanghai
MARK BAKER

SHANGHAI IS adopting an aggressive drive to attract new foreign investment, expand trade and rejuvenate its industry to maintain its status as China's premier industrial port in the face of some stiff competition from other parts of the country.

Shanghai is still China's leading exporter. But in 1981 its share of the country's total exports fell from 20 per cent to 17 per cent and it is believed to have fallen further last year. The slide appears to have been caused by the ageing of many of the city's factories, its slowness in improving product quality and variety and the relative dearth of which other parts of the country have developed their industries and wooed foreign capital.

The city's relative tardiness in attracting foreign investment is illustrated by the fact that between 1979 and the middle of last year it signed contracts worth \$200m. In the same period, the Shenzhen Special Economic Zone bordering Hong Kong attracted contracts worth \$1.3bn.

But the municipal government is moving quickly to reverse the trend. Shanghai's plans to promote growth are being concentrated in three spheres—development of three new economic development zones, plans for a more generous package of incentive for foreign investors and intensive export promotion overseas.

In what Mr Gu Shuzhen, director of the municipal finance department describes as "blazing a new trail" and answering the challenge of Shenzhen, a new export processing zone is being established in the city's south-western Minhang district. It has been designed to shift industry away from the older, congested parts of the city and put new emphasis on light industrial production including electronics, watches and construction materials. A broader economic zone is being formed to cover the Yangtze Delta, encompassing an area of nine smaller cities and 57 agricultural counties. The annual agricultural and

industrial output of the area already averages \$1,000 per capita, the national target for the year 2000. It envisages strengthening ties between the cities and counties to create greater efficiency and faster growth.

The third zone, at Hongqiao on the outskirts of the city, will be a satellite city for enterprises involving foreign investment. Construction began only last year on the zone, which will have modern residential, office and factory space. Until last year, Shanghai had formed equity joint ventures with only two foreign companies, a relatively poor result compared with the efforts of the southern provinces of Guangdong and Fujian and the national investment promoter, China International Trust and Investment Corporation (CITIC).

Compensation

The general manager of the Shanghai Investment and Trade Corporation (SITCO), Mr Hu Bangfai, concedes: "In the past few years we have been groping. But now we have had time to see what is best for us and we are in a good position to press ahead."

Four U.S. companies signed joint venture agreements in Shanghai last year, three industrial and one property development, and several other U.S. companies are engaged in compensation agreements. Volkswagen has established a vehicle plant and Pilkington is to build a float glass factory. According to Mr Hu, negotiations are continuing with "many" other foreign companies.

In attempting to boost foreign investment, SITCO is emphasising the city's advanced infrastructure and port facilities, and the fact that they are able to enter investments of up to \$10m without reference to Peking.

The city is also seeking approval from the central Government to offer even more liberal incentives than already apply throughout the country, although it is not clear whether the Government, which recently ratified a new national incentives package, will agree.

Shanghai wants to extend the present tax holiday for joint ventures from two to three years and the half-tax

period from a further three to four years. It also wants to extend loans to ventures that have difficulty generating quick export earnings, and has proposed lower land rents and greater freedom for ventures to hire and fire workers.

While continued expansion of Shanghai's industry will depend on greater foreign investment, the city has a further problem in modernising its existing 8,000 factories, many of which are obsolete. A total of 250 factories are to be renovated by the end of this year, but further massive investment will be required to continue the job. Meanwhile, more than 50 new factories have been established since last year to cater exclusively for export trade, with a new emphasis on better quality and greater variety of silks, textiles and other light industrial products.

Shanghai's export earnings slumped 10 per cent to \$4.5bn in 1981 and "didn't grow" last year, according to local officials. But there is believed to have been a resurgence this year.

More than 400 teams were sent abroad last year to promote exports and there are plans to appoint more sales agents overseas. A foreign trade consulting services corporation was formed recently to help manufacturers boost exports.

According to Shanghai's mayor, Mr Wang Daoshan, who led a trade and investment promotion tour to the U.S. earlier this year, a key to further export growth will be better co-operation with other provinces and enterprises within China as well as overseas interests.

Much of Shanghai's prosperity was built on the stranglehold it held for many years on re-exporting products from other parts of China for which it compensated provincial manufacturers in local currency but picked up vital foreign exchange itself. Since 1980, provinces have been able to bypass Shanghai and other big ports and sell directly overseas.

The consequent loss of revenue and increased competition of this new era of provincial autonomy has underscored the change in Shanghai's fortunes. It has also made it imperative for local officials to smarten their performance if the city is to achieve its target of quadrupling the output of its industry and agriculture by the turn of the century.

Building up a bright future

Tianjin

COLINA McDUGALL

WHEN PEKING'S leaders found no-one on the spot could cope with the problems of China's third largest city after it was struck by earthquake in 1976, they sent for a trouble-shooter. He was Mr Li Ruihan, now China's youngest mayor and a carpenter by trade. With a broad lined face and chunky physique he looks more than his reported 40-odd years, but it's politically fashionable these days in China to be young.

Deng Xiaoping, no chicken himself, is easing out anyone over 60. "When I came here as deputy mayor in 1981 there were three big problems," Mr Li says. "The road was lined with shacks, traffic was reduced to a crawl, and the water had turned salty. Now we've cleared the shacks and rehoused the people, the traffic moves and we've diverted the Liang river to supply the town."

Captured by the British in the 1860s, Tianjin (Tientsin) became a treaty port with an international community. Less wickedly glamorous than Shanghai, it was a thriving city with busy docks and factories. Handsome porticoed buildings still line the streets, and the riverside bears a passing resemblance to Shanghai's famous Bund.

In 1976 it was hit by the same earthquake that killed around 250,000 people in nearby Tangshan and 70 per cent of the buildings were damaged. After a series of not-too-capable urban leaders, Peking installed Mr Li.

"The local economy's still growing slowly," he says. "Only a few years ago, that's virtual stagnation. We've been sorting out our other problems." He's been the right man for these, with his experience in the Peking construction bureau and before that on a building site. He's so famous in China that some of his exploits have been incorporated in a film—*"Young Carpenter Lu Ban"*.

Potentially Tianjin is hugely rich. Forty miles from the sea, it sits almost on an oilfield—Dagang, on the salt flats surrounding the Bohai Gulf. There's a wealth of raw materials and a densely populated and prosperous hinterland.

"We don't have fuel shortages here," says Mr Li. "We just ask the Dagang manager to produce a few tonnes more for us." Natural gas provides feedstock for a new synthetic plant, chemical factories have grown up out of the old salt industry, and the foreign capitalists founded textile mills that still flourish.

Mr Li's attitude to Tianjin's social problems is deeply pragmatic. "We'd have unemployment if we didn't allow private business. If a young man wants to go to the seaside to buy a few shrimps to sell here in the market, why should we mind?" Out of the 40,000 odd enterprises in Tianjin, 70 per cent are collectively (that is privately) owned. Small as they are, they contribute 30 per cent of the city's output.

The cultural revolution left a hard-core legacy in Tianjin. "About a million people here missed out education here. We

have to supplement it with spare-time classes. The lack of schooling hampers the development of industry.

"Crime? Yes, we've shot a few thieves and rapists, but I wouldn't put the total number of criminals above 1,000."

Tianjin is eagerly seeking outside business contacts. Already it has 150 co-operative ventures with foreigners. But joint investment has been slow in coming. Early in 1980 the city set up its own investment-seeking body (the Tianjin International Trust and Investment Corporation) which has signed eight joint equity ventures and licensing agreements.

Independence

Tianjin is allowed to approve deals up to the value of \$10m. "We've got quite a lot of independence from Peking, but we ought to have more," says Mr Li.

Contracts so far include a deal with Otis for lift manufacture and Remy Martin for making (surprisingly good) wine. The city is not involved in the Bohai Gulf search, but will be allowed to participate in supply services.

Forty miles downstream—in effect, at the end of a huge conurbation—the city is building a new port, Xingang, to supplement the old docks at Tanggu just a few miles away. Xingang's three container berths for ships up to 30,000 tons will be finished by 1985 (one is already operating). Twenty-two other berths are complete and the port management has big plans for more.

Today the suburbs of the city stretch in an almost unbroken line of brick houses and shops to the wilderness of apartment blocks springing up behind Xingang. Construction traffic jams the highway as laden lorries bunch up nose to tail behind the horse-drawn carts.

At the docks, the Chinese-built travelling cranes tower like cathedrals over the wide open spaces where containers lie neatly parked.

"We've got a lot going for us here in Tianjin," says Mr Li. "By the year 2000, the city will be a mighty international port and the industrial nucleus of north China." If nothing happens to dislodge the present pragmatic leadership in Peking, he might be right.

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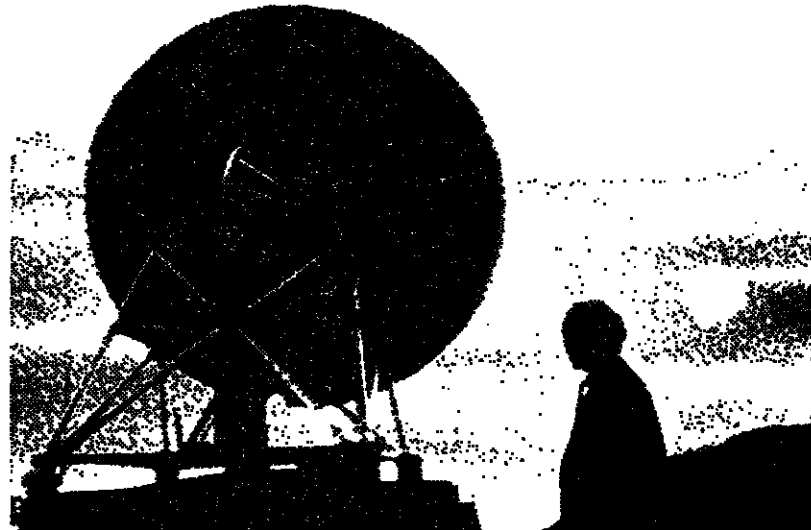


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Muscle power

HUMAN MUSCLE power is what moves mountains in China; it always has and with a population expected to rise to 1.2bn by the year 2000 is likely to continue to do so for a long time to come.

Hard manual labour is the main source of income for peasant and industrial worker alike. Although massive investment is now being poured into the building of new and double tracked railways, expanded ports and raising truck and bus production the bicycle is still the most popular form of transport.

Last year China produced 24.2m bicycles — but only 196,000 motor vehicles of all kinds, 40,000 tractors and 486 railway locomotives.

One sturdy bicycle, like the popular "flying pigeon" brand, will carry a whole modern family — husband, wife and one child carefully strapped on the driver's back. It will also be pedalled miles carrying pigs, ducks, huge wicker panniers of fresh vegetables, or sacks of rice to market — and bring back precious items — like wardrobes, chests of drawers or television sets.

Transformed into a tricycle with a wooden platform the bent-backed, sweating cyclist-driver risks life and limb carrying a small truckload of coal briquettes, iron reinforcement bars or cement construction materials. It is an awesome sight.



On their bikes: the bicycle is China's most popular form of transport

Mrs Wang and her yuan

How much do China's countless millions of manual workers earn and how do they live? "One hundred yuan a month," came the quick response from a party official at the southern port of Zhan Jiang which is currently being turned into one of the main service ports for the offshore oil exploration effort.

It sounded a suspiciously round sum that 100 yuan so we walked up to Mrs Wang—black cotton shoes, grey baggy pants, grey shirt, conical straw hat and brown smiling face—who was busy shovelling gravel into a metal pushcart and asked her. "One yuan 40 fen (70 U.S.

cents) a day," she said firmly.

How many hours a week we asked. Eight hours a day, six days a week, she replied. By my calculation that came to 8 yuan 40 per week or 32.60 per month. "Ah, but what about the bonuses and the overtime," pressed the party official and finally she agreed that in total she might make 40 to 50 yuan a month.

What about her family? Middle-aged Mrs Wang had a husband, who also worked, and six children, some of whom were also working. Did she often manage to put meat on the table? Oh yes, quite often, she said laughing.

And had things got better recently? "Oh yes, much

better." Since when? "Oh, I cannot remember exactly but there is lots more to buy in the shops and markets now, even though prices are higher."

It was 95 degrees in the blazing sun and all around gangs of men and women were shifting gravel, shovelling sand out of ancient salt pans and junk or hurling heavy rocks into the sea to form the breakwater of tomorrow's oil port. But Mrs Wang was smiling and so were her friends, and so were the men in the sanpan. Don't ask me why, but they were smiling.

Anthony Robinson

How four years of radical reform have helped China's pace-setting province to look after its rapidly increasing population

Launched into a new economic orbit

Sichuan

COLINA MACDOUGALL

FOUR YEARS ago for the first time, a Financial Times team went to China to write a survey. The last stop was Chengdu, capital of China's most populous province, Sichuan. At that point, the country stood on the brink of Deng Xiaoping's economic revolution. Premier Zhao Ziyang, then party secretary of the province, was visiting England and the FT team was received by the vice-chairman of the Provincial Revolutionary Committee, He Haohu.

Since then, Deng's reforms have abolished the Revolutionary Committees, turned Mr He into a vice-governor and spectacularly Sichuan into a new economic orbit. In 1979 Mr He spoke to us at length and with anxiety about the race between

food production growth and population (now over 100m). One look today at the free markets and a pause for reflection on the pressures of the one-child family campaign suggests that the province may be winning the race.

Chengdu, a city of more than three million people, is half hilly and half flat and half traditional brick houses. Old-style Chinese courtyards lurk unexpectedly in the side streets. Even in 1979 the bustle was impressive but today the huge free markets are a shopper's paradise. Four years ago the occasional enterprising peasant brought a barrow of greens to sell at a street corner. One memory sums it up—a little old lady in black with her six aubergines for sale lovingly spread around her on the pavement.

Today the free market near the Jinhua hotel stretches for nearly a mile—and there are at least three others. The street tables groan with radishes and cabbages, apples



Street markets in Sichuan: a shopper's paradise

and pears, peanuts and lotus. The huge sides of pork, the well-padded ducks, would bring tears of joy to the eyes of a Polish worker. Chengdu is special since distant peasants can cycle over the flat terrain into town with their produce but even Chengdu built along cliffs above the Yangtze is fairly well supplied.

Beyond the suburbs life may be more of a struggle. Sichuan is not the grain-exporting province it was in the late 50s. With the population pressures, grain output can probably do no more than just keep up and away from the cities there are many fewer profitable peasant sidelines.

Industry, which contributes as much as 50 per cent to the province's income, is more of a problem. Sichuan has great potential resources of coal, hydropower and minerals but its natural gas is running out and its factories are old. Technical change seems to have only just begun in Chengdu, which is a centre for the arms industry.

Here the People's Liberation Army has taken to heart Peking's recent injunction to turn swords into ploughshares (the army budget has been cut and defence factories told to make consumer goods). One plant has been re-equipped with Honda machinery to make motorcycles. There is an

obvious market in Chengdu for these since the hills make pushbikes impractical and the price is not excessive (only ¥600).

Zhao Ziyang's promotion to Peking does not appear to have reduced Sichuan's pace-setting role. The province was the first to streamline its local government by abolishing the prefecture level (above the county) and recently Chengdu has been given a measure of economic independence from Peking.

Sichuan's traditional independent spirit has inspired the province's Foreign Trade Bureau officials to strike out on their own. In spite of their handicapped position they now handle as much as a quarter of their foreign trade. They are able to talk directly to foreign businessmen and sign contracts themselves when they know they can supply top quality.

The Foreign Trade Bureau has a representative in Hong Kong and it plans soon to despatch one to Japan. Since 1978 it has signed around 120 co-operative agreements with foreign companies. It has made \$25m out of processing and assembly work and imported \$49m worth of equipment. Sichuan's biggest market is Hong Kong (35 per cent), with the KEC tying at 10 per cent apiece. Until 1979 the province had

to sell all its produce to the trading corporations in the big ports. Now, even from the 75 per cent that travels that way, it gets a slice of foreign exchange for itself.

Sichuan's entrepreneurial flair has found unlikely expression in Mr Huang Renli, Deputy Manager of the Chengdu Watch and Clock Corporation. Mr Huang, a Buddha-like figure from the fringes of Chengdu, has joined the international jet set with his frequent trips abroad.

In 1979 he simply ran a factory. Now he helps to manage a multimillion Yuan enterprise with an output up from 250,000 watches and clocks in 1979 to a projected 1.2m this year. One week last month he played host to a group of West German timepiece manufacturers, the week before he went to Switzerland for an exhibition. His corporation now sells over 100,000 alarm clocks to Britain.

Intellectuals

Tourism has clearly blossomed. In 1979 a colleague and I sat in lonely isolation in the vast dining room of Chengdu's Jinhua Hotel. Only one family of Filipino Chinese presaged the horde of overseas Chinese and foreigners on tours who today engulf the place. The Hibiscus restaurant down the road was dark and deserted,

while today it hums both with visitors and locals including the occasional private trader selling rubies from Burma.

Sichuan University in Chengdu is another story. The economic revolution has not come a political one. The staff-student ratio, boosted in the cultural revolution when leftist thugs were sent in to supervise intellectuals (as the foreign university teachers of the time feared), is still 1:3.

"Foreign Affairs Department" bureaucrats still sit in with us on what is supposedly free discussion of economic problems. This is a backward step when in 1979 we spoke to Peking academics (admittedly closer in every way to Deng) the conversation was striking in that the Chinese side initiated discussion of western economic thinking. But those days—before Deng clamped down on the "democracy movement" of the time.

There is some effort in the university to spread the techniques of western management (Chinese teachers go to the foreign-run management school at Dalian and pass on the word when they return) but this is little help when the posting system for graduates pays small attention to their abilities or wishes. It's a pity Sichuan can't be more of a pace-setter in that too.

Goodbye to the commune

SICHUAN province is Breughel country, a medieval land of bucolic peasant farming. In the well watered plains of Jufeng, for hundreds of miles around the capital of Chengdu, sheaves of rice stalks stand in the paddies under conical rice straw hats while peasants plough behind lumbering buffalo. Every inch of land is cultivated so the effect is of an endless vista of tiny market gardens.

The province is home to 100m Chinese, one tenth of the entire population and the combination of fertile soil, water and warm climate allows rice to be followed by winter wheat. The two crops combined make Sichuan one of the great granaries of China.

Since 1977, the year following the downfall of the Gang of Four, grain production has risen by an average 2m tonnes annually from 27m tonnes to 37.3m tonnes in 1982. This year saw another good harvest. After a hesitant start the whole province has enthusiastically embraced the new responsibility system and by next year, or 1985 at the latest, all the former 2,500 communes will have been converted to the Xiang or township system.

Private

One commune which has already taken the plunge is Xinningxiang, about 40 km from Chengdu along farm roads thronged by trucks, bicycles and flocks of straggling ducks. The changeover started cautiously with 2 of the 135 brigades (equivalent to villages) trying out the new system in the winter of 1980. It has proved so popular that all the brigades have turned over to the new system which sees a drastic reduction in the former all-powerful role of the party.

The party still has a general overseeing role and must be consulted on major investment and other decisions. But local administration is now in the hands of the farmers and their families form the basic unit of economic management. They are free to grow what they think best on the land allocated to them and to sell on the free market or consume, any crops above their quota to the state, including of course the crops and livestock raised on their small private plots.

According to Mr Jia Hekun, manager of the newly formed township agricultural industrial and commercial corporation, the results have been little short of astonishing. In 1980, the last year of the old system, grain production amounted to 8.5m kilos and total income of the township was 6.2m yuan (around \$3m) divided amongst the area's 4,800 households and 20,000 inhabitants.

Last year grain output rose to 11.8m kilos while total income rose over 50 per cent to 9.28m yuan (\$4.6m). The pig population meanwhile rose from 13,600 to 15,600. Their average slaughter weight increased by 20 kilos per pig over the period.

What is even more extraordinary about these figures is that this higher production, matched by equally substantial rises in vegetable production, and cash crops like rape seed, is that they took place while the average number of days worked on the land by each farmer fell from 200 to 250 days per year under the old system to a mere 60 days per year under the new. Instead of hanging around in

the fields gossiping and smoking just in order to gain work points for attendance farmers of their families now work hard on their minuscule plots (only 18,000 mu, divided among 4,800 families) and spend the rest of their time either involved in local industries like construction materials, building, small agricultural implements or mending their market stalls.

Chinese statistics are notoriously unreliable. But for someone like this correspondent, who has had five years to develop scepticism about Communist success claims, the visual evidence that an agricultural revolution has indeed occurred is convincing.

The best proof is to be found in the long, narrow village main street of Xinningxiang, where open front wooden shops are packed with implements, clay pots, bicycles, textiles, toys and steaming noodle shops and whose even narrower pavements are thronged with vegetable stalls, roast duck vendors and great slabs of pork on giant skewers. The countryside too is dotted with improvised roadside meat shops and old ladies mending barrows of brightly coloured nicknacks.

But for those who like their proof in the black and white of statistics here are just two. The free market price of rice has plummeted from 37 fen to 22 fen (100 fen equals 1 yuan) over the past two years while farmers' savings accounts have soared from 73,800 yuan to 810,000 yuan in the same period.

While it is more than likely that Xinningxiang is a model township which has far outperformed the average it is difficult to make what the Russians call a "potemkin village" out of a 40 kilometre stretch of countryside or along the hour-long route from the airport to Chengdu. Much the same scenes of evident rural prosperity, new house building (much of it extremely ugly compared to the almost Tudor style mud and wattle, timber-framed traditional thatched farmsteads) flocks of ducks and chickens, pig sties and bulging sacks of grain could be seen throughout.

Mistakes

Sichuan is not China. But it is one-tenth of China and the rate of grain increase registered in Sichuan over the past few years has been almost exactly 10 per cent of the growth in grain output nationally. Is it a temporary phenomenon then, due to be quickly reversed by changes of leadership or policies ordered from Peking as happened in both the 1950s with the great leap forward and the 1960s with the Cultural Revolution?

Mr Jia says that this time the policy of allowing the peasants to get rich is here to stay. "After 1949 we had very little experience of socialist construction and made many mistakes. Now, with so much experience and lessons behind us we realise that practice is the sole basis for judging the true path. The present policies are here to stay and our leaders in Peking are grooming successors who will carry out these policies."

Most of the 100m people in Sichuan are probably hoping he is right.

Anthony Robinson

Sad fate for owl and pussy cat

Canton

ANTHONY ROBINSON

THE OWL with a string on his leg and the pussy cat tied to the cage were not about to sail away in a beautiful green boat, although there are plenty of those on Canton's bustling Pearl River. They were waiting to be eaten. So were the sacks of jumping frogs.

the tubs of gasping carp, the dried snake and the deer antlers to revive the flagging energies of ageing men.

Virtually every creature which moves or any vegetable which grows in the lush, irrigated paddies of sub-tropical Guangdong province finds its way into the ingredient book of Cantonese cooking, surely among the most inventive and delicious known to man.

They are all to be found in abundance in the maze of narrow streets thronged with shops, small factories and market stalls which lie behind Shamian Island, the boomerang shaped enclave connected by two bridges to Canton proper whose now overcrowded and decaying mansions were once home to Canton's wealthy foreign merchants.

After 30 years of varying degrees of xenophobia Shamian Island is home again to a large foreign community, although mostly of a more transient nature. They are the guests of the 25-storey White Swan hotel which offers superb views along the Pearl River, and a marble lobby, complete with birds in a gilded cage and a waterfall three storeys high.

Prosperous

The White Swan is the latest and grandest of a rash of large luxury hotels financed by Hong Kong money now rising with great speed in one of China's most prosperous and dynamic provinces. They are tangible evidence of the way in which many rich Hong Kong Chinese are rushing to invest their money and skills in Canton and the four special economic zones close to Hong Kong and so present their bona fides to Peking as 1997 looms closer.

The White Swan is now home to BP, Esso, Occidental Petroleum and the other big oil companies and together with the other new hotels under construction is one of the tangible signs of the new prosperity which is expected to turn Canton into a boom town if the offshore oil exploration now under way strikes it rich.

But to thousands of local Cantonese, invited to these hotels by their visiting relations from Hong Kong the marble foyers and gilt plush are the ideal backdrop for happy family snaps. The scene offers a vision of what lies ahead if the "four modernisations" policy continues into the future.

For all its bustle however Canton outside the air-conditioned splendour of the hotels is still very much a 19th century town with wooden junks playing between the ferry boats and cargo ships crowding the Pearl River and handsome European style stone buildings lining the waterfront.

It has always been a trading centre rather than an industrial city, although as the population of the city and its new suburbs has risen to around 5m the textile, light engineering and food processing industries have grown with it. Twice a year, in April and October, the city plays host to China's biggest international trade



Wooden junk boats at the mouth of the Pearl River. For all its bustle Canton is still very much a 19th century town

fairs.

The dynamism and business acumen of the Cantonese has a long history—and there are many who believe that Hong Kong itself is the greatest example of what the Cantonese are capable of, given the right conditions to use their talents to the full.

Peking is far away, and traditionally little love has been lost between north and south. But Prime Minister Zhao Ziyang was himself one of the so-called "northern cadres" who moved into key political positions in Canton after 1949 and he is believed to maintain a close relationship with the city he helped rule for 15 years before his disgrace during the cultural revolution.

In those days Zhao was a hard man. He was entrusted with the task of overseeing the agricultural reforms of the immediate post-civil war period, a policy which largely consisted of expropriating the old landlords and redistributing the land to the peasants. Zhao was credited with coining the slogan "blood shall be shed in every village," a chilling reminder of the harsh and ruthless policies which accompanied the establishment of communist party power and its desire to strengthen its control by making every village share the complexity of guilt.

As the province closest to Hong Kong, whose population is largely made up of former refugees from this area, Guangdong's future is in many ways closely bound up with China's plans for resuming sovereignty by 1997. This could prove to be a mixed blessing for Peking.

For years Hong Kong has exercised considerable influence over its immediate hinterland, not least through the radio and television programmes in the Cantonese language which can be picked up over a wide area.

This has given the inhabitants of Guangdong province access to news and views denied other Chinese, in much the same way that West German radio and television give access to an alternative way of life for millions of East Germans in that divided country.

Partly no doubt because of the resulting familiarity with the higher living standards and greater freedoms enjoyed by the inhabitants of Hong Kong the Cantonese have enthusiastically embraced the new economic freedoms of the past five years.

Indeed there must be a nagging concern in Peking in case the absorption of Hong Kong into China after 1997 might in the end see the free-booting philosophy of Hong Kong prevail over the more strait-laced official doctrine.

The association with Hong Kong and the traditional outward-looking mentality of the Cantonese also have their seamy side in allegations of municipal corruption and widespread smuggling.

Over 30 people have recently been executed in Canton for a variety of violent and "economic crimes" and graphic posters posted on walls around the city show—in cartoon form as well as in Chinese characters—some of the specific criminal activities of the region.

Smuggling

One shows a series of drawings how five young men and two young women were caught by a PLA naval patrol smuggling people into Hong Kong and contraband out. They then overpowered their captors and threw them overboard only to be arrested as they sought to make a getaway by motorbike. Accompanying photographs show them at their trial bound arm and leg and with heads hung low.

But they were only small fry. Smuggling, corruption and other side-effects of the new prosperity allegedly occur on a much greater scale covered by a network of political protection.

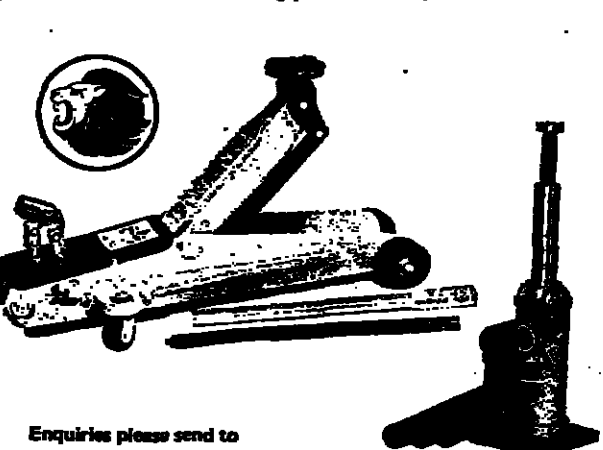
The emphasis recently placed on punishing criminal activities of all kind reflects fears among the leadership that such activity provides ammunition for the many old-style cadres who feel threatened by the new emphasis on economic incentives and the kind of devolution of decision making which accompanies it.

As such the draconian measures now being applied are seen as part of the price to be paid to forge on with the current economic policies.

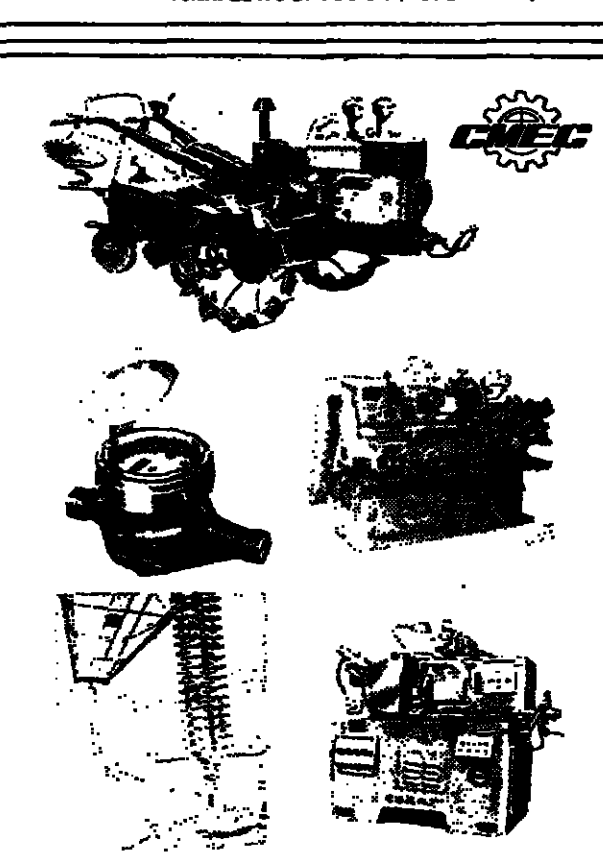
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Importers must be prepared for long hours of research and travel before finding a suitable partner

The helps (and hindrances) of decentralisation

Trading partners
JUDITH LUBMAN

THE FACTORY was seven hours by van over bumpy mountain roads from Hangzhou and, when we arrived, we were told we were the first Westerners to visit in many years. The hotel was so new that all the plumbing hadn't been connected yet. However, the factory management was enthusiastic about using importers' specifications to manufacture glassware for western markets, so the long trip seemed worthwhile.

Foreign importers of manufactured products have new opportunities in China thanks to the decentralisation of China's foreign trade apparatus which began in 1978. Direct contact with factories has become possible to a degree unprecedented in trade with the People's Republic, and developing genuinely successful opportunities can still be thwarted by some of the problems which decentralisation was intended to solve.

Before 1978, importers dealt mainly with the Peking head offices of the branch offices in China's major trading cities (Shanghai, Tianjin, Canton) who acted on behalf of inland provinces, without having direct access to the manufacturers. Most business was done at the bi-annual Canton fairs, which the manufacturers rarely attend.

Importers have long thought it necessary to have greater access to factories in order to make Chinese exports more saleable in major western markets. In the past, both the corporations and the factories were ignorant of foreign markets. Chinese trade bureaucrats, unaccustomed to dealing with western consumers' whims, sometimes expressed distaste for the decadence that seemed to be associated with changing styles.

Authority

Bureaucrats and factories alike were usually content to continue exporting whatever western-type goods had been produced, in the past, as well as Chinese-type goods intended for purchase by overseas Chinese, which are often not to the taste of other overseas consumers.

China's leaders, after the overthrow of the Gang of Four, reorganised the system. The authority of the branch corporation was increased and the inland branches were allowed to conduct their own business. Some ministries established trading corporations, a few major factories were given authority to deal with foreigners directly, and importers' access to factories was generally encouraged.

Sometimes the new decentralisation reforms were counter-productive. The smaller, inland branches, who had resented relying on the major cities, began to compete with one another and frequently caused severe market disruption—something which had generally been avoided when there was more centralised control. One commodity noticeably affected in the U.S. was canned mushrooms.

Before 1978, canned mushrooms were not exported to the U.S., in part because the traditional tin sizes suitable for other customers did not meet American standards. Peking was anxious to capture this lucrative market and to urge factories to make new tin sizes. Selected importers were invited to the factories.

Decentralisation spurred the provinces to oblige but also made them so eager to sell that American domestic producers and importers of Taiwan mushrooms accused China of dumping.

Such disorders did not escape the notice of Peking, and finally, as in the case of so many economic reforms in the Soviet Union and eastern Europe, decentralisation was followed by partial recentralisation.

Head offices are trying to reduce competition among branches and have regained control over some commodities. Under today's system, the branches retain much of the authority they were given, as do a few factories, and importers can still seek out factories to negotiate directly (but in the presence of corporation representatives) to change old products or develop new ones for their particular markets.

Much, however, continues to depend on the foreign trade corporations. Usually, they choose which factories they will

bring to the attention of the importer. At the Canton Fair an importer has the opportunity to compare products from different factories for quality but the corporations may have their own ideas, not only about which factories are best suited, but which ones they would like to see improve. These may not be the same. The sophistication of the corporation personnel varies.

Even if the importer can get introduced to the most suitable factory, much will depend on the willingness of the factory manager to co-operate. Much, too, will also depend on the quality of the relationship between corporation and factory. The process of pairing off between importer and Chinese enterprise may take some time and involve a considerable amount of travel around China by importers.

Profitable

Once they have agreed to co-operate, they must negotiate about product specifications, standards of quality and, of course, the price. They must also hope that by the time the Chinese factory overcomes start-up problems, demand and market price will continue to make the transaction profitable.

Hand-blown glassware illustrates some of the problems. Until five years ago, the principal Chinese manufacturers were small factories producing out-dated styles which were sellable mostly to Australia and New Zealand, but not to the U.S. and Western Europe.

Although China has all the raw materials and labour power necessary to support a larger glassware industry, factories were unenthusiastic about changing their products. Also, two years are needed to train new workers to engage in a demanding skill under difficult conditions. To make matters harder for the importer, the factories are scattered all over China, and are usually in remote places.

In order to develop hand-blown glassware for the American and European markets, repeated discussions were necessary with a number of branches of the corporations. Visits to a series of factories were then required in order to ascertain which ones produced high-quality products and were also enthusiastic about co-operating with the importer to develop product and packaging for new western markets.

Some products which are now being exported successfully to the U.S. and Western Europe were developed after years of trial and error. However, new challenges have appeared to give headaches to importers and to the Chinese factory managers who are their partners.

Since the initial contacts in 1978, changes have occurred in fuel costs and Eastern Europe can sometimes undersell the Chinese products. Technical improvements in the West European machine-made glass industry, coupled with the strength of the U.S. dollar have also made products manufactured by that technique more competitive.

Preferences

Other problems may be caused after a Chinese factory manager finds that his new product is selling well: he may want to increase his output without further changes and with little understanding of the volume of goods which the market can absorb.

The importer must explain that changing economic conditions and style preferences require further changes, if not a continuous process of adjustment, familiar enough to western managers but vexing to their Chinese counterparts.

In the meantime, the Chinese foreign trade system has not remained static. Peking continues to try to recentralise control over export of some products in order to avoid market disruption of the kind that spoiled the market for Chinese mushrooms.

In addition, the Chinese are forming foreign joint ventures abroad to assist in marketing Chinese products, and the trade corporations have also been increasing the number of the representatives which they have stationed abroad.

Unfortunately, these representatives are often too far away from factories to be effective in tailoring products to importers' specifications. There is still no substitute for those long trips to China.

Judith Lubman is president of Lubman and Company (San Francisco and New York). Agents, representatives for importers from China.

Trading organisations
ADAM WILLIAMS

THERE ARE more opportunities for business with China today now that the country is moving out of the period of economic readjustment than at any time since 1978. Big projects are being planned in the energy field—particularly in the coal and offshore oil sectors. China's railways are being expanded, its ports improved. In line with the national goal of quadrupling production by the year 2000, state commissions, Ministries, trading and industrial corporations and provincial bureaux are identifying thousands of factories and enterprises needing modernisation by using foreign technology and equipment.

For the businessman seeking to penetrate the market, it is increasingly difficult, however, to identify the right organisation with which to negotiate.

In the 1950s China inherited from the Soviet Union the centralised system of state trading corporations under the Ministry of Foreign Trade. The mechanism for selling to China was then relatively simple.

There was little contact with the provinces, rarely with the end-user. The giant trading corporations—usually known by their initials MACHIMPEX, MINMETALS, SINOCEM, etc.—would be commissioned by the relevant industrial Ministry to secure whatever items of equipment or plant were required. Negotiations took place at the Canton Trade Fair or at a similar restricted venue. The foreign company would sell into a vacuum. After-sales service

was unheard of. It is only today that many companies which sold plant in the sixties are discovering where in the country it was installed.

In the seventies visitors to China were sometimes allowed to visit selected factories, works and hospitals. Contacts were made with Chinese professional societies. It was not until 1979, however, that there were signs that the monopoly of the state trading corporations would be broken.

Competition

The first Ministry of Machine-Building (later renamed the Ministry of Machine Building Industry) set up its own trading corporation, the China National Machinery and Equipment Import Export Corporation, apparently in direct competition to MACHIMPEX. For the first time foreign businessmen could deal through this corporation with engineers and technicians directly involved in production. It also meant that the industrial Ministry, through its subsidiary corporation, could sell its pro-

ducts directly abroad and be able to keep a proportion of the foreign exchange remitted. Possibilities for flexible forms of trading—joint ventures, compensation trade, etc.—were also created.

Other industrial Ministries followed suit. The China Aero-technology Import Export Corporation was established under what is now the Ministry of Aviation. The China Northern Industries Corporation was set up under the Ministry of Ordnance and the China National Electronics Import Export Corporation under the Ministry of Electronics Industry.

Ministries responsible for the development of resources have also clarified the channels through which to deal with foreign companies. The Ministry of Coal Industry has set up the China National Coal Development Corporation and there are separate corporations for developments in southwest and north-east China. The Ministry of Petroleum Industry has two major corporations, one for on-shore and one for offshore oil.

A petrochemicals corporation has also been set up.

The move is now towards the creation of increasingly specialised corporations, often integrating plants in separate areas into a single production plan or co-ordinating the work of corporations already in existence.

There are corporations which provide services such as consultancy (though perhaps not in terms generally understood in the West). The China International Trust and Investment Corporation, China's nearest equivalent to a merchant bank, was established to initiate projects and joint ventures and to find sources of foreign funds.

The businessman arriving in Peking today has a wider choice of contact among the central trading corporations than ever before. That is all very well if the project in which he is interested is being handled by the centre. Since 1980, however, powers to conduct foreign trade have been granted to provinces, municipalities, even in some cases to individual plants (when they form a self-sufficient and

economic unit as the Anshan Iron and Steel Works in Liaoning, for instance).

Guangdong and Fujian provinces have been granted permission to conduct trade within the limits of their available foreign exchange. Shanghai has clearance to sign deals with foreign companies to the sum of US\$10m. For other provinces the figure is US\$3-5m. Within these limits provincial organisations are free to negotiate deals independently of central control (as long as they do not conflict with the state five-year plans).

Independent

Besides trading organisations set up by the province itself, provincial branches of central corporations can also negotiate independently.

For the general trader this has meant that the market has been opened up to a considerable and sometimes confusing extent. He has found himself in a position where very often he can play off one provincial branch against another.

The "responsibility system," as far as the Chinese Government is concerned is beneficial in that it widens the scope and incentive for economic development—but it has also led to conflicts between local and national interests.

There is a matter of concern for the State Council. Certain restrictions of regional autonomy have had to be re-imposed but the problem has not been eliminated.

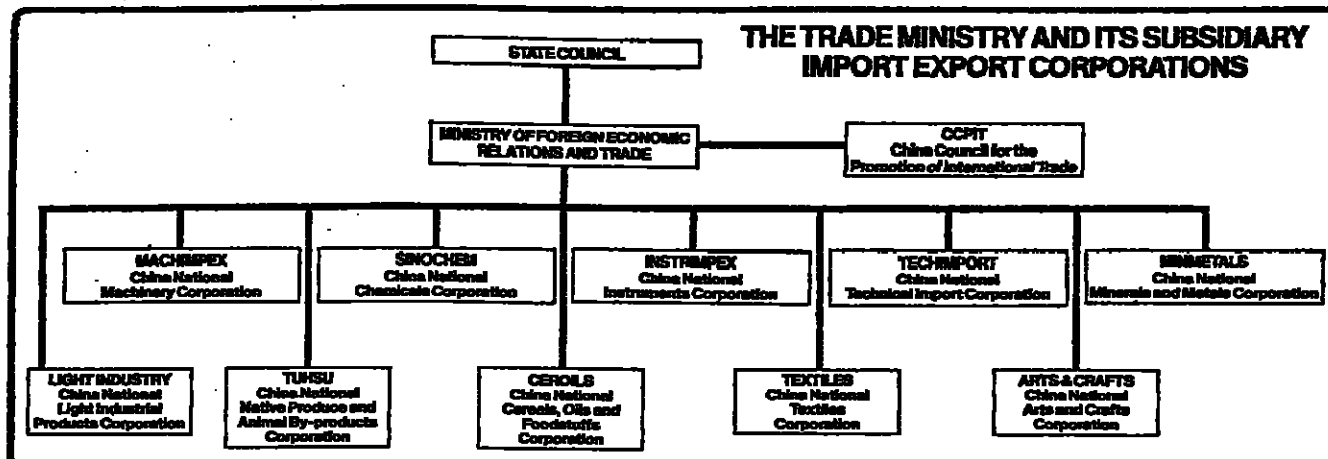
For example, as offshore development accelerates in the South China Sea there has been considerable confusion as to which organisation will control the apportioning of valuable service contracts. Guangdong province is anxious to get as large a share as possible. A service corporation has been set up specifically for this.

National organisations with expertise in specific areas are meanwhile competing for the same contracts. The foreign company which intends to set up a joint venture often finds itself sitting on the fence undecided which of the many organisations to approach.

It is foreseeable that similar conflicts of interest will occur in other parts of China, when an industrial centre such as Shanghai, for example, develops its autonomy.

The businessman approaching China today—for all the increased options open to him—must be increasingly alert to the potential confusion of interests between central and provincial organisations, and pick his contacts carefully. There is ample material in this country for initial research. The companies which have done their homework before they visited China have usually found the exercise rewarding. Adam Williams is Editor and Head of Research of the Sino-British Trade Council.

Picking a way through the maze



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We wish to take this opportunity to express our sincere appreciation to the trade circles as well as manufacturers, at home and abroad, for their friendly cooperation extended to the various Beijing branches over the past years.

Modified framework lacks consistency

Law for
foreign investors
ANTHONY DICKS

TO MOST businessmen with an interest in China the special foreign investment laws enacted in the past four years are notable chiefly for what they omit. To the Chinese, the adoption of the "open door" policy as one of the ingredients of the four modernisations required a revolution in political and legal thinking.

It was no accident that the "law on joint venture enterprises involving foreign investment" took its place alongside the "criminal code," the "law on criminal procedure," the "electoral law" and the organisational laws of the courts, the procuracy and the local people's congresses as one of the seven important laws promulgated on July 1 1979, to be studied by the population as a whole.

The clear message, restated on numerous occasions, is now enshrined in a special provision in the 1982 constitution: foreign investment, under proper control, has its own legitimate place in the new Chinese legal system. As is so often the case with

laws which are designed to have as much symbolic as practical significance, the joint venture law raised more questions than it answered.

With the enactment of legislation on such subjects as tax, exchange control and business registration and the evolution of consistent policies by the Government, a framework of law and practice specially applicable to foreign trade and investment is gradually emerging and some of the more immediately practical questions have been answered, though not always as clearly as might be expected. Most recently, it is reported that a new set of detailed regulations for the implementation of the 1979 joint venture law have been adopted.

The more fundamental questions which trouble many potential investors still remain. How stable are the new institutions? How reliable are the legal concepts which underlie them? Above all, what sort of justice can a foreign investor expect to receive in the event of a dispute with a Chinese partner, or with the Chinese Government?

These are questions which cannot yet be answered. Even if the political imperatives of the next decade are left to one side, the most that can be

done to protect the investor from uncertainty is to provide in the contract for all the possible contingencies which the draftsmen can anticipate. Many foreign companies also feel more secure with contractual provisions for the arbitration of investment disputes in third countries, a device usually acceptable to the Chinese partner, at least in the case of major investments.

Such arrangements cannot insulate the foreign side from possible confrontation with the Chinese legal system. The tax bureaux and numerous other administrative bodies are not within the scope of arbitration clauses.

The low ebb to which the legal system sank in the cultural revolution period, when the courts and the legal profession came under attack, law schools closed and the flow of legislation reduced to a trickle, has been blamed by the present leadership for many of China's current social and economic difficulties. Now, the country once again has all the appearances of a comprehensive legal system of the kind familiar in other communist countries. The courts are open once again, the Ministry of Justice and the procuracy have been re-established and ever increasing numbers of people are being

trained as judges, lawyers and notaries.

Moreover, people are being taught to use the law. Managers of factories and other enterprises are being trained not only to appreciate to make proper contracts but also to enforce them or to expect them to be enforced. The general public, from primary school children upwards, are being regaled with books, newspaper articles and other propaganda.

Public order

The principal emphasis, both as regards legislation and the activities of the courts, has been in two areas—public order (a major victim of the cultural revolution) and economic law, the Chinese term for an amalgam of civil and administrative law functionally equivalent to the commercial laws of capitalist countries.

On the criminal side the law has been applied with determination and, by Western standards, ferocity, judging by the recent reports of large-scale executions.

However, the idea that senior officials, particularly members of the Communist Party, should be subject to criminal as well as to party disciplinary sanctions is meeting with great resistance from the well-entrenched local bureaucracy.

The enormous effort made in recent years to stimulate the economy has required the re-introduction of a framework of civil and commercial law remarkably similar in some respects to that of the Western capitalist world.

The most notable milestones thus far are the "Law on Economic Contracts" of 1981, and the experimental "Law on Civil Procedure" of 1982. They have been buttressed by the establishment of a hierarchy of economic chambers within the people's courts throughout the country and a system of arbitral tribunals for the settlement of disputes between enterprises.

There are, however, numerous other important new laws in the economic and commercial sphere, though they are for the most part little noticed outside China.

One of the weaknesses of the Chinese legislative system which has been apparent since 1949 is the tendency of individual ministries to produce highly specialised statutes to meet their own immediate and particular needs, at the expense of consistency and principle. Some of the difficulties of this approach have been reduced by the introduction of a special consultative unit under the State Council to assist in the formulation of economic legislation.

What is still lacking, however, is an all-embracing hierarchy of legal concepts within which particular rights and obligations can be formulated in such a way that their operation and interpretation are reasonably consistent and predictable.

Clear definition is particularly desirable in property law, where the overlapping and often competing interests of the state enterprises, the collectives and the newly revived individual economy (to say nothing of foreign investors) inevitably intersect.

For those foreigners who have to concern themselves with Chinese law this gap will not be filled until the long promised civil code (already operating in draft form on an experimental basis behind the curtain of silence which masks much of the legal system) is promulgated.

The lack of certainty which foreign businessmen feel about the Chinese legal system should not be allowed to obscure the significance of what has been achieved in the last four years.

The massive expenditure of effort and resources on the re-establishment of legal institutions, preparation of legislation, training of personnel, legal publishing, research, and above all propaganda, suggests a serious resolve to establish a sophisticated legal system.

On the western
wavelength

Profile: Jing Shuping

JING SHUPING, the silver-haired executive director of the China International Trust and Investment Corporation (CITIC) is a gentleman. Like his father, he was educated at an English public school in Shanghai way before liberation and still remembers with affection his first English lady teacher.

His latter education was not so genteel, however, and included a two-year stretch being vegetables. That was during the cultural revolution when he and millions like him "received an education from the peasants."

Many were embittered—and some enlightened—by this exposure to the hardships of rural life. For Mr Jing it was a good experience to stay in the countryside. He says it without any apparent trace of bitterness or irony.

Now, as executive director of CITIC, Mr Jing cultivates a different type of lengthening of foreign businessmen and bankers seeking investment or lending opportunities in China. In Mr Jing—by his own slightly self-deprecating admission—a "national capitalist" by origin and in his boss, the chairman Mr Rong Yiren, foreign businessmen will find men operating to a large degree on their own wavelength.

This is not always the case in China where the years of political obscurantism and the inevitable provincialism born of limited education and little opportunity to travel blend with often maddeningly time-consuming Chinese methods of negotiation.

Frustrations

It was to facilitate direct contacts with western and Japanese business and finance and ease these frustrations that CITIC was set up in 1979. One of its primary functions is to act as a kind of merchant bank—hunting around for what Mr Jing calls "advanced and appropriate technology" and the foreign partner willing to transfer technology and know-how where feasible to enter into joint-ventures with Chinese enterprises.

"We are interested more in technology than money and more in software—including advanced management techniques—than in the hardware itself," Mr Jing emphasised.

Up to the end of August CITIC had helped set up 22 joint ventures in China proper and a further 61 in the new economic zones. On its recommendation the Government is preparing more favourable tax incentives—including a five-year tax holiday for joint ventures with a planned life of over 10 years—and removing other barriers pointed out by foreigners deterred by existing law.

The former punitive tax rates on leasing operations have also been changed so that tax is now levied only on the service income and not the equipment cost component too, as formerly. CITIC itself is active in leasing—having helped supply equipment worth \$58m to 180 Chinese

companies last year as a 25 per cent shareholder in China Leasing.

Mr Jing admits that negotiations on setting up joint ventures can be a lengthy business. But he explains: "We feel we must do more homework, including market research and feasibility studies, before we agree to joint ventures and we like to work together with our potential partners on these so that we get to know each other better before signing the eventual contract."

CITIC is organised very much like a Western corporation—with a board of directors and powerful shareholders like the Bank of China, and the China National Offshore Oil Corporation CNOOC who are also organised in this way.

Distortions

In future, Mr Jing says, this will be the standard form of management and company organisation in China. Furthermore, he adds, much work and study is currently being expended on a reform of the pricing system to phase out subsidies and price distortions and move towards a more rational pricing system based on actual costs and international comparisons.

The open-minded managers of Mr Jing's mould who run CITIC and hold top positions in other economic policy bodies have also strongly supported the devolution of economic decision making to the major provinces and industrial centres.

Shanghai and Tianjin for example, now have the authority to approve joint ventures of up to \$10m, Peking and Liaoning province up to \$5m while the two provinces with most special economic zones—Fujian and Guangdong—have carte blanche, provided the new facilities can use existing transport and other infrastructure facilities without requiring new investment by Peking.

Mr Jing's jaw dropped slightly however when asked whether CITIC and other corporations had worker representatives on the board. "Worker representatives," he moved as if it was the first he had heard of such a notion but came back smartly with the brilliant formula "In China we are all workers."

It also transpired that CITIC's doubts about the well-known strike-happiness of Australian miners were contradicted to a lack of decision on direct Chinese investment in Australian iron mines. Negotiations between CITIC and Canadian pulp companies for a CITIC equity stake are forging ahead without such fears.

Meanwhile to finance its overseas operations CITIC has already made a 100m yen bond issue in Japan last year and is now about to issue \$30-\$5m of investment trust certificates aimed at overseas Chinese and Hong Kong investors. CITIC's motto appears to be "If you can't beat 'em, join 'em."

Anthony Robinson



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WORLD BANK-FINANCED PROJECTS IN CHINA

Sector	Number	Source of finance	Date of maturity	Grace period	Interest rates
Agriculture	2	IDA	2032	10 years	None-0.75 per cent service charge
Development finance	1	IDA plus some IBRD funds—see below for terms	2032	10 years	None-0.75 per cent service charge
Education	2	IDA plus IBRD	2032	10 years	None-0.75 per cent service charge
Land reclamation	1	IDA plus IBRD	2032	10 years	None-0.75 per cent service charge
Onshore petroleum	2	IBRD	2002	5 years	Currently 10.47 per cent but revised every six months
Transport	1	IBRD	2002	5 years	Currently 10.47 per cent but revised every six months

IDA—International Development Association, the World Bank's aid loan affiliate.

IBRD—International Bank for Reconstruction and Development, the World Bank's normal loan arm.

Competition keen but
stakes are highWorld Bank
finance
NICHOLAS LUDLOW

ABOUT 30 projects worth approximately \$30m in foreign currency commitments are being planned for China at the World Bank—enough to rivet the attention of any export manager for the foreseeable future.

Since China rejoined the World Bank in May 1980, commitments approved for the nation of 1bn people have totalled \$986.5m, major loans averaging \$106m each as of end-September 1983. Future World Bank China projects will be as large.

For marketing managers, these figures represent large numbers of sizable contracts for items like computers, vehicles, and oil-drilling equipment. The common denominator for most of these sales is "international competitive bidding" (ICB).

Early on, China discovered that ICBs pay off. Competition was so keen that the Ministry of Education sliced \$15m off its budget for the first round of bidding in the first World Bank education project, paying

out only \$65m against an \$80m allocation.

Government agencies have become increasingly co-operative in providing economic statistics, after discovering that project preparation could be speeded up.

To optimise the net-present-value of dollars committed to projects, which, even though they are from the World Bank on excellent terms, are still borrowed, China is doing all it can to ensure that money is disbursed as soon as possible after a loan is approved. Measures include:

- rapid construction of sometimes massive civil works relating to projects, such as canals on the north-China plain.
- publication of general procurement notices prior to board approval to permit early invitations for bids (IFBs), plus advance bid document preparation.

- bid timing that is completed before a loan becomes effective, thus permitting immediate disbursement of funds after they become available.
- Fast, thorough bid evaluations over two to three months, less than the time many other developing nations take.

MARKETING STRATEGIES FOR CHINA

Faced with the size of the development bank market in China, marketing strategy must be carefully tailored and consciously competitive. Some key INITIAL STEPS

- Start marketing early. As soon as a project is identified (through the World Bank's Monthly Operational Summary or the confidential reports of ITMA, 1735 Eye Street, NW Washington, D.C. 20006, USA) start marketing efforts. Preferably include a visit to China or appointment of an agent there. Once product potential is established:

- send all product literature to procurement officers at the ministries and agencies involved, as well as to all the institutions involved throughout China.
- participate in related exhibitions prior to bidding
- keep track of the evolution of the project.

MARKETING Consider these:

- How will the type of bidding (six types) affect your strategy? For example, on one project, small quantities and certain specialised supplies aggregating \$6m can be bought directly by Chinese officials without competitive bidding.
- Can you bid from the inside, with a Chinese entity, benefiting from the World Bank's 15 per cent preference for bids from domestic manufacturers?
- Can you arrange technology transfer ahead of time that will provide a long-term competitive edge?
- Can you provide what is necessary? Something good, cheap and re-

liable is regarded as often more appropriate than a few units of highly sophisticated equipment.

- Are you educated about the processes involved in World Bank projects?

PRICING In other words, competitive pricing is a key issue. Indeed, if prices are too high, bids may be thrown out and the process begun again.

The lowest evaluated bid, however, is not necessarily the lowest price. Services, training, maintenance and other factors are often taken into account and must be borne in mind.

Future Projects The following World Bank projects, estimated to cost \$1.5bn, are expected to come up to bid during the next 18 months.

- Agricultural Education—Support to agricultural colleges and possibly technical schools, non-formal agricultural education, and planning.
- Agricultural Research—Upgrading of selected crop-specific and regional research institutions and extension stations.
- China Investment Bank (CIB)—Lines of credit for medium- and small-scale industry, and institutional development.
- Forestry—Timber production in selected provinces, planning and possibly forestry education and research.
- Loan Coal—Development of one fully mechanised long-wall underground mine of up to 4 mpa in Shanxi Province.
- Lubrication—Hydropower—Construction of rockfill dam, tunnels, and underground 450 MW powerhouse in Yunnan.
- Medical Education and Rural Health—Development of teaching in medical colleges and of rural health services in selected provinces.
- Petroleum (Junggar Basin)—Exploration, heavy oil cracking, liquefied petroleum gas and technical assistance.
- Railways—Construction, upgrading and electrification of track in Henan, Shandong and Shanxi Provinces, and assistance to electric locomotive factory for production of locomotives.
- Rubber Development—Replanting and new planting of 35,000-40,000 ha in Guangdong Province.
- Rural Credit—Provision of credit for agricultural and other rural activities in selected provinces.
- University Development—Strengthening selected technical universities to expand the quantity and improve the quality of science and technical graduates.

Preliminary discussions are now being held for projects beyond fiscal 1985. Through 1987, agriculture, education, energy, industry and transportation sectors will continue to be the focus of World Bank lending in the PRC.

Nicholas Ludlow is managing director of International Trade and Marketing Association, Washington DC, U.S.

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A number of advertisements from the People's Republic of China have been placed within the pages of this survey. Should you require further information from these companies, please indicate in the boxes provided below. Your requests will then be forwarded to the individual organisations concerned.

To: Simon Timmis, Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY

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| <input type="checkbox"/> China North Industrial Corp. | <input type="checkbox"/> Shandong Cereals, Oils, Foodstuffs |
| <input type="checkbox"/> Guangdong Arts & Crafts | <input type="checkbox"/> Shanghai Stationery & Sporting Goods |
| <input type="checkbox"/> Guangdong Silk Corp. | <input type="checkbox"/> Sichuan Animal By-Products |
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| <input type="checkbox"/> Liaoning Light Industrial Corp. | <input type="checkbox"/> Tianjin Machinery Corp. |
| <input type="checkbox"/> Jiangsu Machinery & Equipment Corp. | <input type="checkbox"/> Tianjin Machinery & Equipment Corp. |
| | <input type="checkbox"/> Tianjin Metals & Minerals |

Name: Position:
Company:
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BOOKS AND
PERIODICALS
FROM CHINA

BOOKS

- Guide to Investment in China—Includes a general survey and is an essential reference for the business man. £2.00
- Economic Readjustment and Reform £2.25
- China—A General Survey £1.50
- China's Socialist Economy £2.55
- China's Search for Economic Growth (The Chinese Economy Since 1949) £2.10
- China's Economy and Development Principles £0.65

PERIODICALS

- BEIJING REVIEW—Chinese views on major international issues. In English, French, German. Weekly. £8.00 p.a.
- CHINESE LITERATURE—Presents mainly literary and art works depicting new ideas and life of the people of China. In English and French. Monthly. £2.60 p.a.
- CHINA PICTORIAL—China's socialist construction and her basic conditions, the life of her various nationalities. In Chinese, English, French. Monthly. £6.50 p.a.
- CHINA RECONSTRUCTS—Illustrated journal of general coverage on the building of socialism in China. In English, Chinese, French. Monthly. £5.00 p.a.

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Assistance in selling
to China

Former engineering company managing director responsible for the sale of three capital plants earlier this year to the Chinese automotive industry, now wishes to place experience gained at the service of others, on a consultancy basis.

Write Box A8300, Financial Times
10 Cannon Street, London EC4P 4BY

Before joint ventures are set up tough bargaining talks with the Chinese are necessary

PROFILE: JOHN DEERE IN CHINA

Showpiece on the farm pays dividends

TO DO business with China, says John Deere, the U.S. agricultural equipment company, you have to be prepared for the long haul. Deere, based in Moline, Illinois, has not been as noted for its international ambitions as other North American farm machinery producers over the last decade. But it has approached China with almost a crusading fervour.

It owes this enthusiasm to its former chairman, Mr William Hewitt, who was appointed U.S. ambassador to China after his recent retirement. Mr Hewitt felt that President Nixon's historic visit to China needed to be backed up by investment and commercial contact. He immediately seized the opportunity to visit China himself, and became chairman of a group of American businessmen seeking to strengthen trade links between the two countries.

Arduous effort

Progress after the initial political breakthrough was slow. "We got into China by arduous effort," says Mr Neil Hall, vice president in charge of international operations. Deere executives made numerous visits in the wake of Mr Hewitt. It was not until 1978 that the company took part in its first project, the mechanisation of a model state farm in north-east Manchuria.

The project was clearly very important for the Chinese, who only a few years before had started to buy grain from the U.S. to compensate for their own food shortages. It brought virgin land into production in a part of the country where the growing season is so short that traditional manual farming methods had always failed. The answer was to create vast units using very large mechanised equipment that allowed both rapid sowing and harvesting.

Deere's unit was 200,000 acres—a giant area by U.S. standards. The company was responsible for all the mechanisation on the project, and it put in an intensive effort. "We have put far more service and product support into this than the return on sale could compensate us for," says Mr Hall. "But if you are introducing yourself into any country, you are going to have more expense than return."

In farming terms, however, the result was satisfactory. Yields on the Manchurian farm have exceeded expectations—in good weather, not far short of what would be expected in small grain European production—and it has become something of a showpiece.

"The deal was very satisfactory from the standpoint of getting our name and

machinery in front of the Chinese," says Mr Hall. As a manufacturer with an extremely broad range of products, the farm was also the ideal way to display the company's all-round strength.

Deere has built on this exposure and experience to win a further contract for a combine harvester plant. The Chinese have been licensed to make the company's range of smaller harvesters which are currently produced in its West German plant. The agreement was signed in 1981 and runs for five years.

Deere says this deal will be profitable and mutually satisfactory, though the company "could not survive on that alone." It is also accepting some payment in kind—the U.S. company will receive a mixture of cash and components made in China to Deere's specification for its own machinery. "We have been very careful to choose components which are satisfactorily made with Chinese materials."

The Chinese, says Mr Hall, have proved to be skilful negotiators who do an intensive job on technology evaluation. "That part of it is very hard." But once an agreement is concluded they hold to it to the letter and do their utmost to make it work.

In the case of Deere, there have been some significant problems in converting the technology to suit local needs and the materials available. The labour force also has different skills and ways of working. All this requires time and a big educational effort. Deere has had many Chinese over for training either in its cluster of plants in the Mississippi Basin or its combine manufacturing unit in West Germany.

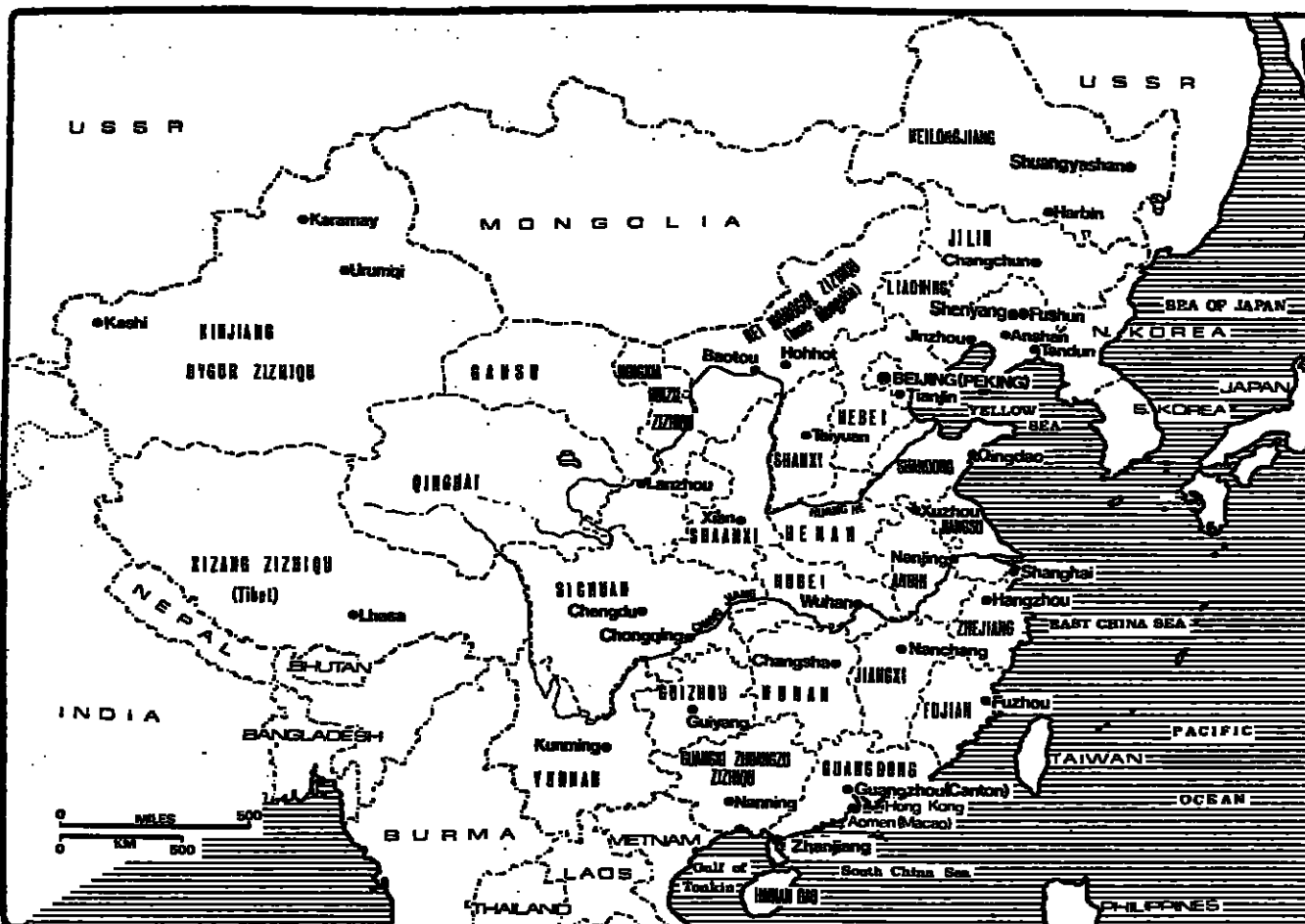
Prototype

Now two years into the combine project, the Chinese are just at the stage of testing a prototype made in their own plants using the transferred technology. They seem pleased with the progress, Deere says, although back home in the U.S. the company would probably regard this speed of development as unsatisfactory.

Deere believes this stolid approach should bear dividends in the long run. The Chinese have opened a new round of bids to increase their range of agricultural equipment with large combines, tractors and other products.

Competition will be tough, with bids coming in from all over the world. But Deere feels that it has justified itself into a better position than some of its rivals. "We feel we now have a bit of experience in China, and that that will hold us in good stead in technology projects," says Mr Hall.

Terry Dodsworth



PROFILE: PILKINGTON BROTHERS IN CHINA

\$120m float glass project

GOOD GLASS is in short supply in China, as anyone who has peered through a Chinese window will testify. But the message comes not just from the motor industry. China's construction business is deeply involved in building glossy hotels and offices, and float glass is imported in huge quantities.

The demand has generated China's biggest joint venture with foreigners yet, the \$120m float glass plant planned to be built by Pilkington's and a group of Chinese enterprises on the south side of the Yangtze at Shanghai.

The project stemmed originally from a holiday in China by Lord Pilkington in 1977. The Chinese approach to him was followed by a negotiating team at the end of 1979.

Tough talks ensued during the next three years. Finally last March the company signed a joint equity venture with the Yaohua General Glass Works of Shanghai, the China National Glass and Ceramic Industries Corporation, the Bank of China (Shanghai Branch) and Mr Shaul Eisenberg's United Development Industries of Hong Kong.

The joint venture is to build and run a float glass plant next to the Yaohua works. It will have a capacity of 200,000 tonnes a year and is due for completion in 1985-86.

"Glass technology already exists in Shanghai, and we expect to have a hundred or so tonnes here," says Mr Solomon Kay, the urbane and diplomatic director of Pilkington's dealing with the project.

"During the negotiations we were worried about raw material supplies and about



Float glass passing under water sprays in a Pilkington plant. A similar system will shortly be installed in Shanghai

how enough foreign exchange would be generated to pay dividends and royalties. Transporting these huge sheets of glass is difficult too, though by the time the plant is in production the roads should have improved."

The Chinese partners are taking 75 per cent of the equity and the foreigners 12.5 per cent apiece. At its first board meeting (expected to be about November) the joint venture will sign two agreements, one for the licence and the other for technical services, under which it will purchase the Pilkington float glass technology and designs for the plant.

This arrangement is very different to the original proposal. In 1979 discussion ranged round the sale of technology for the float process only. But in July 1980 when

the Pilkington team went to Peking to take this further the Chinese said: "We'd like a complete glass line, we'd like to discuss a joint venture, and we'd like to bring in Mr Eisenberg."

Eisenberg's company had been involved in China's first equity venture with foreigners, the Jardine Schindler lift project.

"We said 'fine'," says Mr Kay. "Let's have a joint feasibility study." After a fortnight spent convincing the Chinese this was necessary, Pilkington's experts took up the rest of 1980 jetting to China and back, testing sand and other samples and measuring Shanghai's Yangtze tunnel for truck size. Many hours and much tea were consumed in discussing roads, warehousing and fuel.

Market research was done by

the Chinese Ministry of Materials for the Building Industry, which came up with a selling price (based on the Chinese price for sheet glass) which proved satisfactory. The feasibility study, running to many pages, was finally accepted at the end of 1981 and signed by all partners.

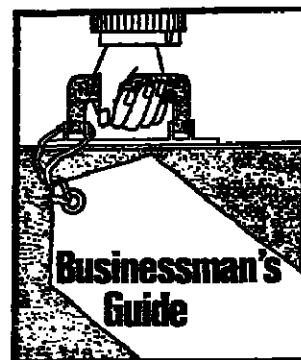
Financing the capital cost is not expected to prove difficult. More than half the expenditure will be incurred in China—by spending on roads, factory buildings and basic fittings. Payment for the foreign engineering equipment will come from the equity contributed by the foreign partners and the Bank of China, which will also provide foreign exchange loans if necessary.

Much harder was the problem of generating foreign funds to pay dividends to the overseas partners and royalties to Pilkington. "Last year's policy was that each unit should be self-supporting in foreign exchange. That meant that to pay us the joint venture would have to export glass while Peking was pouring out money importing it," says Mr Kay.

"The Chinese recognised this wasn't sensible. If demand in China for glass remains high, they may find other exports in China to generate the funds."

"For us, the venture's significant," says Mr Kay. "China is the most important area remaining in the world without float glass, and the Shanghai production line will come on stream (in 1986-87) just as some of our earlier licences begin to run out."

Colina MacDongall



Businessman's Guide

Climate
Northern regions (including Peking): Dec-Feb likely temperature range minus 4°C-0°C, some snowfall and dust storms occur; June-Aug likely temperature range 24°C-26°C, humidity generally high; highest temperature and rainfall likely in July.
Shanghai region: summer range 25°C-35°C likely; Dec-March can fall to freezing; humidity generally high; rainfall likely 1,100 mm/year.
Canton region: March-Dec temperatures usually over 20°C; May-Sept frequently 30°C; Jan-Feb may fall to 10°C.

Time
GMT + 8.
Language
Official/national: Mandarin Chinese.
Others: Cantonese, Tibetan, Mongol, local dialects.

Entry requirements
Passport: required by all.
Visa: required by all.
Prohibited entry: holders of Taiwanese visas.

Notes: exit permits are required (and conformity with provisions regarding departure point, time, etc. is essential). China International Travel Service (LUXINGSHE) should be consulted for independent travel—business travel is arranged through corporation concerned. Israeli, South African, South Korean nationals are not generally given visas.

Health precautions
Mandatory: smallpox; cholera when travelling from specified (generally endemic) areas; yellow fever when travelling specified (generally endemic) areas.
Advisable: anti-malaria in southern regions; piped water should not be drunk.

National Airline
CAAC (Civil Aviation Administration of China).
International Airports
Peking Central (Code: PEK), 25km from city.

Major Ports
Dalian, Guangzhou, Huangpu, Lianyungang, Qindao, Qinhua-dao, Shanghai, Xingang, Zhanjiang.

Hotels
(Tipping is forbidden).
In Peking
Peking
Dong Changan Jie (tel: 552231).

Friendship
Yuyi Binyuan Haidian Lu (tel: 890821).
Minn (Nationalities)
51 Fuxingmen Daijie (tel: 688541).

Qianmen
Corner Yongan Lu/Fuxan Lu (tel: 338731).
Xinglao
2 Fandi Lu (Chongwenmen) (tel: 557731).

Overseas Chinese Hotel
(tel: 558851).
In Shanghai
Jinjiang
Maoming Lu (tel: 534242).

Park International
Nanjing Xi Lu (tel: 225225).
Peace
Nanjing Dong Lu (tel: 246260; cable: 1111 Shanghai).

Usually obtainable through hotels; standard rates apply; hirers are generally advised to pay (small) waiting fee to retain taxis.

Car hire
Self-drive not available; stand-ard rate chauffeur driven vehicles available on daily basis, arranged through official guide or China International Travel Service.

Internal travel
Air: CAAC operates regular (often direct) domestic service to main centres.
Bus: extensive local services in main cities.

Telecommunications
Telephone dialling for China: through operator. Telephone, telefax and telegraph international calls frequently arranged by hotels but also possible through post offices; booking of telephone calls in advance generally recommended.

Currency
Yuan (or Ren Min Piao=People's Bank Dollar)=10 chiao = 100 fen (currency=Renminbi =People's Currency).

Banking
Main centre: Peking.
Head offices: Agricultural Bank of China, Bank of China, Bank of Communications, China & South Sea Bank, China State Bank, People's Bank of China, People's Construction Bank of China, National Commercial Bank, National Industrial Bank of China.

Banking hours: 0900-1200, 1330-1700 (exceptions: Monday closed; some local variations).
Government and business hours
0800-1200, 1400-1800 (exceptions: Saturday 0800-1200, Sunday closed; some variation possible).

Useful business addresses:
China Council for the Promotion of International Trade, 4 Taipingjiao Daijie, Peking (tel: 662335; telex: 22315).

China National Chemicals Import & Export Corp. Erilou, Xijiao, Peking (tel: 890931; telex: 22243).

China National Instruments Import & Export Corp. Erilou, Peking (tel: 890931; telex: 22243).

China National Light Industrial Products Import & Export Corp. Dongmen Daijie, Peking (tel: 555680; telex: 22282).

China National Machinery Import & Export Corp. Erilou, Peking (tel: 890931; telex: 22243).

China National Metals & Minerals Import & Export Corp. Erilou, Xijiao, Peking (tel: 890931; telex: 22241).

China National Technical Import Corp. Erilou, Peking (tel: 890931; telex: 22244).

China Ocean Shipping Agency. Dong Changan Jie, Peking (tel: 553424; telex: 22264).

Chinese Export Commodities Fair, Guangzhou Foreign Trade Centre, Guangzhou.
Customs Administration, Xi Changan Jie, Peking (tel: 556106/5579964).

Ministry of Foreign Affairs, Chaoyangmen Daijie, Peking (tel: 555831 — information 555505).

Ministry of Foreign Trade, Xi Changan Jie, Peking (tel: 553031).

National tourist agency
China International Travel Service Dong Changan Jie, Peking (tel: 554192) or Overseas Chinese Hotel, Zhushui Daijie, Peking (tel: 553509).

Tourist notes: Efforts made to read a guide book before travelling even for a short visit are probably more rewarding in China than almost anywhere else.

Business Guide information from Asia and Pacific Review 1983, a country by country guide to the region published by World of Information, 21 Gold Street, Saffron Walden, Essex, CB10 1EJ. Tel: 0798 21150. Telex 817197.

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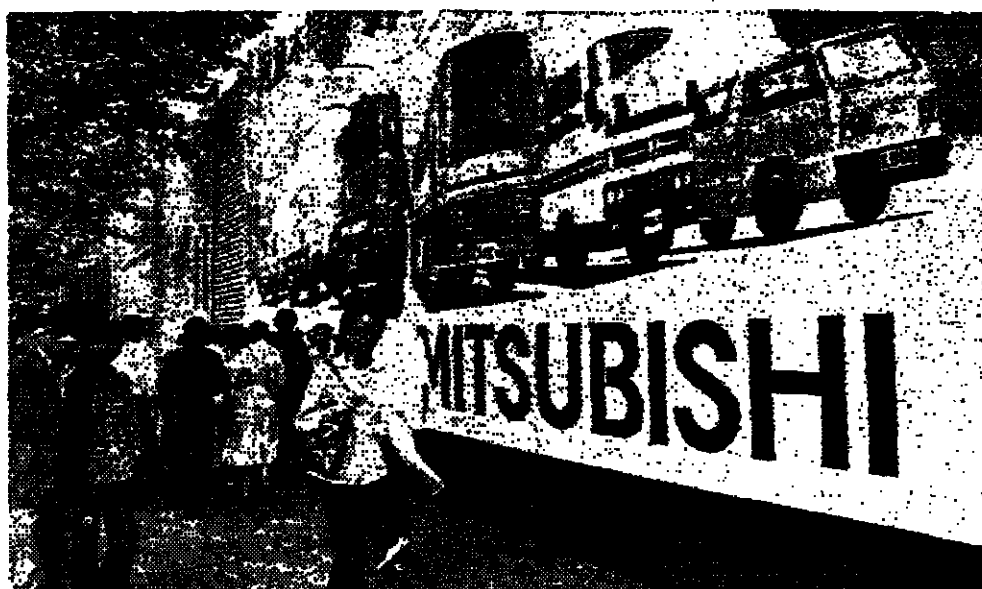
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Telex 7-24 406-0

FOREIGN TRADE WITH SELECTED COUNTRIES

	1979	1980	1981	1982	1983*
United States					
Exports	1,716.5	3,749.0	3,598.5	2,904.5	1,154.0 (7)
Imports	592.3	1,958.3	1,895.3	2,283.7	1,273.0 (7)
Total	2,308.8	4,907.3	5,493.8	5,188.2	
Japan					
Exports	3,674.0	5,108.0	5,075.0	3,500.0	2,106.0 (6)
Imports	2,533.0	4,346.0	5,283.0	5,338.0	2,410.0 (6)
Total	6,207.0	9,454.0	10,358.0	8,838.0	
Hong Kong					
Exports	82.0	1,349.0	1,964.0	1,939.0	971.0 (6)
Imports	3,021.0	4,401.0	5,271.0	5,397.0	2,540.0 (6)
Total	3,103.0	5,750.0	7,235.0	7,336.0	
West Germany					
Exports	1,493.0	1,145.0	1,017.0	853.0	392.0 (5)
Imports	534.0	808.0	770.0	1,404.0	320.0 (5)
Total	2,027.0	1,953.0	1,787.0	2,257.0	
Canada					
Exports	507.0	742.0	777.0	1,005.0	522.0 (5)
Imports	143.0	123.0	325.0	185.0	74.0 (5)
Total	650.0	874.0	1,102.0	1,190.0	

* Figures in brackets denote number of months covered.

Source: China Business Review



A sign of the times: part of Japan's drive for increasing sales to China

Dipping a cautious toe
in foreign watersInvestment
abroad

MARK BAKER

IT SEEMED one of the oddest financial stories of the year: China, a developing country with substantial natural resources but struggling with limited funds to modernise its economy, searching overseas for investment opportunities in resources projects.

But since March, when China's Premier, Mr Zhao Ziyang, first confirmed the idea to a visiting delegation of Australian newspaper executives, the proposal has gathered momentum to the point where China is now actively negotiating with foreign companies and drawing up plans for an overseas bond issue that could finance its schemes.

Neither ports, nor transport, nor planning abilities nor technical skills could handle much more than it is buying now. The past effort put into increasing exports and the improving world economy makes it hardly likely that exports would be deliberately cut back. The socialist China could lose its surplus, some observers believe, in 1985, and then only if offshore oil and other projects are soaking up hard currency investment.

Mr Jing says that China has already learned a lot about international dealings through trade and the sorts of foreign equity joint ventures which CITIC has been helping establish within China over the past four years. But he believes that by actually participating in companies abroad China can learn invaluable new experience — and that participation, he says, may even involve communist Chinese officials sitting on the boards of some western corporations.

"It is true that by having foreign companies to China we can learn a lot. But there is more that we can learn outside China," he says. "As president Xi Xianxian said recently, closed-door autocracy never will come back to China. Our future is in the wider world and we have a lot to learn."

China is now involved in detailed negotiations about investing in iron ore mining in Australia and paper pulp production in Canada. It has discussed forestry investment in New Zealand and is scouting for opportunities in various countries for a stake in fisheries, fertilisers and alumina.

Priority is being given to possible investment in iron ore mining—either in Australia or Brazil. China will need massive supplies of high-grade ore when the giant Baoshan steel works

near Shanghai reaches its full production capacity of 6.7m tonnes a year by the end of the 1980s. Its own reserves of high-grade ore are too remote to be a viable source of supply in the short term.

According to Mr Jing, four of the biggest Australian mining companies—Broken Hill Proprietary, Hamersley, Conzinc Rio Tinto Australia and Colonial Sugar Refining—have sent executives to China in recent months to offer the Government a stake in their existing mining ventures. He says a fifth company, Goldsworthy, has offered to open up a new mine in partnership with China.

Brazilian interests have also followed up China's interest in iron ore, but the Australians appear to have the edge. Premier Zhao toured Australian mining areas during an official visit in April and he took Mr Jing with him for exploratory meetings with Australian mining companies.

China is far from committed to undertaking such investments. But a vigorous debate is under way within various government departments about the most suitable course of action—either investment in

an existing mining company or partnership in a new venture. Mr Jing, who is playing a key role in the deliberations, favours China taking a 10 or 15 per cent shareholding in an existing venture. He says that while Australia's foreign investment regulations would prohibit China taking a controlling interest in a company or an active management role, a board position in an existing company is "a possibility."

The seriousness with which China is contemplating such foreign investments is indicated by the time which has already been spent exploring options and studying financing methods. A government delegation will visit Canada this month to have further talks on investment in a paper pulp project. It is believed that other delegations have already toured South America and South East Asia exploring other potential resources investments.

China is in a healthy position to contemplate such ventures at its foreign exchange reserves have swelled to a massive U.S.\$13bn. But Mr Jing says the most likely method of financing would be through an overseas bond issue.

He says China has drawn up plans to issue "investment trust certificates" to Chinese living in Hong Kong, Macao and other countries. An initial issue of between \$30m and \$50m was being contemplated.

While the logic of China trying to invest in iron ore mining in Australia at a time of weakened prices and oversupply has puzzled some of the country's mining industry officials, China is planning for the longer-term advantages.

Despite his own enthusiasm for the idea, and the backing of Premier Zhao, Mr Jing cautions that a final decision has not been made and says there are many logistical problems that would have to be overcome before such investments could be carried through.

And there is already one big problem which is troubling the communist leadership as it contemplates a most incongruous plunge into mainstream capitalism: "I have my apprehensions about the unions and strikes in Australia," says Mr Jing. "Some of the miners work only 10 months out of the year."

Foreign trade

COLINA MACDOUGALL

CHINA HAS an embarrassingly large balance of payments surplus. By the end of August it had reached \$13bn, and U.S. officials think it will reach \$14.5bn by the end of the year.

Though Mr Ding Ning, General Manager of the planning department of the Bank of China in Peking, said this was merely a "temporary phenomenon," the chances are it will run on for several years. When China comes to borrow from the World Bank and similar institutions, the poorer countries are bound to feel they have a better claim to the funds.

This remarkable situation has come about through a mixture of unexpected factors. One is, as Mr Wei Yuming, Vice Minister of Foreign Economic Relations and Trade told the Financial Times, that China's exports of agricultural products escaped the effects of the world recession.

Secondly, China's imports from the U.S. and Japan were cut to the point where the rate of increase overall was held to about 7 per cent. Thirdly, (but less important), invisible

earnings (on tourism, shipping, bank interest) rose, while the repayment of loans and the drop in interest rates reduced outflows.

China's imports from the U.S. fell in the first seven months of this year to \$1.3bn from nearly \$2bn in the same period of 1982. This is explained by the row over textiles quotas between Peking and Washington; early this year in retaliation for unilateral American restrictions on textile and garment imports from China, Peking announced it would reduce agricultural purchases.

Although wheat was not originally included in the Chinese ban, Peking's good harvest and ready supplies from elsewhere helped it to reduce wheat imports from \$700m in the January-July period last year to only \$184m in this. Soybeans and raw cotton sales were almost completely wiped out.

As for Japan, shipments under the big contracts for supplying complete plant signed in the late 70s came to an end last year. Japanese exports to China fell 30 per cent, and barely picked up this year despite Chinese buying of rolled steel and chemical fertiliser. Vice Minister Wei Yuming expects the level for 1983 to remain about the same as last year.

Although imports from Europe are well up, they are not

high enough to bring Chinese trade back into balance. All the same, Britain's sales of mining machinery and steel helped to push its total for the first half-year to \$82m, almost double the figure for the same period last year. West Germany and France, too, doubled their 1982 performance.

A number of significant contracts have been signed this year. These include McDonnell Douglas's \$50m sale of two jets, on top of Boeing's deal for 10 planes last December, and Honeywell's \$15m contract for 14 computers.

Besides the sales so far by the British company Anderson Strathclyde of mining machinery, there is another under discussion by Gullick Dobson. The general increase in European sales supports the view that the Chinese are cautiously resuming purchases of equipment.

Now that the longstanding rumour with the U.S. over exports of technology is settled, China will probably turn to American suppliers for the computer equipment it has not previously been allowed to have.

After the U.S. Trade Secretary Malcolm Baldrige visited China in May it was announced that new guidelines would be issued which would make it easier for Peking to obtain this. These are thought to set out a whole new category of

items which the Commerce Department can licence for export without consulting the Pentagon. China will be put for export purposes in the same category as India and Yugoslavia. Here it will be treated as they are, as a "friendly non-aligned" country.

But even so western officials in Peking doubt that the Chinese can continue to up imports at the rate their exports are increasing. The Chinese deny they are in this extraordinary predicament, pointing to the huge sums they will have to spend when their offshore oil gets going. But this expenditure, likely to be paralleled at least in part by investment in coal mine development, will not arise for several years.

In the meantime Peking

seems to be well aware of the problems it could cause by rapidly increasing imports now. Much as it must long to have the equipment to generate speedy economic development, it is apparently hesitating because of doubts over its capacity to absorb them.

Neither ports, nor transport, nor planning abilities nor technical skills could handle much more than it is buying now. The past effort put into increasing exports and the improving world economy makes it hardly likely that exports would be deliberately cut back. The socialist China could lose its surplus, some observers believe, in 1985, and then only if offshore oil and other projects are soaking up hard currency investment.

CHINA'S FOREIGN TRADE

	1978	1979	1980	1981	1982
Exports (\$bn, fob) ...	1.97	13.61	18.10	21.56	21.94
Imports (\$bn, cif) ...	11.74	15.89	18.94	21.87	18.94
Total trade (fob/cif) ...	35.54	45.56	57.90	72.53	77.20
Total reserves (period end, \$bn)	21.11	29.30	35.04	43.13	46.88
Of which:					
Foreign exchange ...	1.56	2.15	2.26	4.77	11.13
Gold (\$bn) ...	2.47	3.93	7.78	5.94	4.77
Gold reserves (million fine troy ounces)	12.8	12.8	12.5	12.7	12.7

* Gold valued at current market prices based on IMF period average commodity price indices.

Source: China Business Review

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China National Native Produce and Animal By-products Imports & Export Corporation, Liaoning Native Produce Branch
139 Stalin Road, Dalian, China.
Cable: PRODAIREN DALIAN
TELEX: 86155 PRO CN

Product line: Ginseng and Deer's Antler, Pumpkin Seeds, Black Mame, Hazelnut, Bitter Apricot Kernels, Bitter Melon, Wild Vegetables, Patent Medicines (Huang Yang Brand), Tonic Wines, Crude Drugs, Tobacco, Leaves, Filter Tipped "ANGEL PORCELAIN" and "GOLDEN FLOWERS" Brand Cigarettes, etc.

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Cable: ARTS DALIAN
TELEX: 86180 DAC CN

Product line: Hand-embroidered Articles, Machine-embroidered Articles, Jade Carvings, Stone Carvings, Wood Carvings, Domestic Porcelain Ware, Artistic Ceramics, Steel Furniture, and Wood Furniture, Articles Plaited with Straw and Willow, Twigs, Pictures, Artificial Flowers, Artistic Shoes, Jewellery Boxes, Jewellery, Curios and Other Arts & Crafts.

China National Metals and Minerals Import & Export Corporation, Liaoning Metals Branch
145 Stalin Road, Dalian, China.
Cable: MINMETALS DALIAN
TELEX: 86153 MIMET CN

Product line: Aluminium Section, Brass Gate Valve, Friction Pivot, Aluminium Alloy Ingot, Galvanized Iron Chain Link Fencing, Black Japanese Spring Hinges, Steel Wire Rope, Bright Hard Drawn Nail Wire, Galvanized Iron Wire, Common Round Iron Wire Nails, Door Lock, Collapsible Grated Door, Steel Grille, Iron Spring Tower Bolt, Iron Washer, Other Hardware, Cast Iron Products, Lap Joint Flange & Welding Neck Flanges, Iron Link Chain, Wire Rope Fitting.

China National Metals and Minerals Import & Export Corporation, Liaoning Minerals Branch
145 Stalin Road, Dalian, China.
Tel: 23981
Cable: MINMETALS DALIAN
TELEX: 86153 MIMET CN

Product line: Talc Lump, Talc Powder, Marble Block Marble Slab, Marble Chip, Granite Block, Terrazzo, Stone Carving, Raw Magnesite, Dead Burned Magnesite, Calcined Magnesite, Bentonite (in Powder or in Lump), Fluorspar, Fire Clay (Fuchow Clay), Agate Ball, Agate Mortar and Pestle, Fused Magnesite.

China National Machinery and Equipment Import & Export Corporation, Liaoning Branch
145 Stalin Road, Dalian, China.
Cable: EQUIPEX DALIAN
TELEX: 86158 CMED CN

Product line: Heavy mining machinery, metallurgical machinery, hoisting equipment, conveyance equipment, coal equipment, chemical machinery, universal machinery, various containers, gas compressing equipment, refrigeration equipment, air conditioning equipment, various industrial pumps & valves, plastics processing machinery, universal auto parts, bearings, machine tools, press shears machinery, wooden working machine tools, abrasives, abrasive tools, machine tools attachment, standard fastener (metric & British standard), the gadget for machine tools, measuring & metal cutting tools, various motors, electric tools, daily electric appliances, industrial electric furnaces, welding electrodes, electric wire & cable, high and low voltage ceramic insulator, power transmission and transformation equipment, storage battery, insulating materials, various apparatus & instruments, agricultural machinery, tractor, diesel engines, generating sets, crushing equipment, all kinds of castings and forgings, various complete equipment and so on.

China National Machinery Import & Export Corporation, Liaoning Branch
145 Stalin Road, Dalian, China.
Cable: MACHIMEX DALIAN
TELEX: 86157 DCM CN

Product line: Rubber Making Machine: Various Rubber Mixing Mill, Internal Rubber Mixer, Rubber Strainer, Rubber Calendar, Rubber Extruder, Inner Tube Vulcanizer, Tyre Building Machine, Wire Ring Wrapping, Compressed Air Tyre Shaper, Garments Machinery: Burton-Hole Sewing Machine, Burton-Sewing Machine, Electric Drill, Electric Cloth Cutting Machine, Suction Ironing Worktable, Steam Iron, Sewing Machine for Industrial use, Three Threads Sarging (Overedging) Machine: Cereals and Oils Processing Machines: Various Flour Grinding Machines, Screw Type Oil Expeller, Rice-Husking Machine, Foodstuff Processing Machinery, Grains Storage Machinery, Instruments and accessories: Textile Machinery and Accessories: Drawing Frame, Winding Machine, Automatic Pirn Winder, Wooden Shuttle, Bobbins, Pirns, Steel Reels, Ring Travellers, Steel Wire Hosiery, Buffer Straps, Pickers, Knitting Needles: Weighers: Various Counter Scales, Platform Scales, Under-Ground Weighers, On-Ground Weighers, Motor Truck Scales, Rail Weighbridge, Automatic Bulk Suspension Hopper Scale, Automatic Suspension Hopper Batching Scale, Rolling Wheel Belt Scale, Liquefied Petroleum Gas Cylinder Scale, Locomotive Rolling Stocks and Accessories: Locomotives, Wagons, Bougie, Generating Train, Hooks, Small-sized Hydraulic Vibrator, Pressure Containers made of steel Oxygen Cylinder, Acetylene Cylinder, Liquefied Petroleum Cylinder: Civil Construction Machinery: Road-Roller, Bulldozer, Dumpers, Cement Mixer, Vibrator: Wet-Surface Grinder: Graphite Electrodes, Graphite Electrodes Powder (Granule): Electronic Components: Various Ceramic Capacitors, Ferrite Bars, Magnets, Loudspeakers: Laboratory Glassware: Hand Tools: Telecommunication Pliers, Bench Vice, Pipe Wrench, Bolt Clipper, Spanners & Wrenches, Hammers, Grinding Tools, Wood Working & Planing Tools, Cutting Tools, Screw Drivers and Other Tools: Agricultural Implements: Axes, Steel Picks and Mattocks, Hoes, Rakes, Steel Forks, Matches, Hand Barrow: Coals, Petroleum, Building Materials and Railway Equipments, Hydrogeological Instruments, Pharmaceutical Machinery, Extinguishing Machinery and Appliances. Enquiries and orders are welcome. We also accept processing various iron, steel castings and parts for machinery according to customer's drawings and samples.

China National Textiles Import & Export Corporation, Liaoning Branch
139 Stalin Road, Dalian, China.
Cable: CHINATEX DALIAN
TELEX: 86154 LDTEX CN

Product line: Principal Exports include Cotton Fabrics, Polyester/Cotton Yarn and Fabrics, Woolen Piece Goods, Knitted Goods, Cotton Manufactured Goods, Blankets, Sweaters, Sewing threads.

China National Textiles Import & Export Corporation, Liaoning Garments Branch
139 Stalin Road, Dalian, China.
Cable: GARMENTS DALIAN
TELEX: 86154 LDTEX CN

Product line: Garments and Caps Made of Different Materials such as Woolen Fabrics, Cotton Fabrics and Blended Fabrics.

China National Chemicals Import & Export Corporation, Liaoning Branch
139 Stalin Road, Dalian, China.
Tel: 26717, 26423, 24680
Cable: SINOCEMIR DALIAN
TELEX: 86152 CHEMD CN

Product line: Water Sodium Sulfide, Aluminium Fluoride Zinc Oxide, Potassium Chlorate, Lead Nitrate, Lead Sulfate, Tri-basic Gamma Isomer Enriched BHC Powder, Lead Oxide Red, Lead Oxide Yellow, Iron Oxide Red, Iron Oxide Yellow, S22 Sulphur Black B, 501 Sulphur Black BR, Tube & Tire, Hydroquinone (Photo Grade), 4,5,6-Dicarboxylic Acid, Sulphaguanidine (SG), Sulphadiazine (SD), Sulphamethoxazole (SMZ), Trimethoprim (TMP), Ascorbic Acid (VITAMIN C), Thiamine HCL (Vitamin B1), Thiamine Mononitrate, Sitanon (Bifen picin) Chloramphenicol, Levogyre, Streptomycin Sulphate, Tetracycline HCL, Saccharin Sodium.

China National Cereals, Oils and Foodstuffs Import & Export Corporation, Liaoning Cereals & Oils Branch
145 Stalin Road, Dalian, China.
Tel: 27285
Cable: DALCEROIL DALIAN
TELEX: 86159 DACOF CN

Product line: Cereals, Edible Vegetable Oils and Vegetable Oils for Industrial Use, Oil Seeds, Seeds, Oil Cakes and Other Feed Stuffs, etc.

China National Cereals, Oils and Foodstuffs Import & Export Corporation, Liaoning Foodstuffs Branch
145 Stalin Road, Dalian, China.
Tel: 27940
Cable: DALFOOD DALIAN
TELEX: 86159 DACOF CN

Product line: Salt, Livestock and Meat, Animal Fats, Eggs, Fresh Fruits, and Fruits Products, Fresh and Dried Vegetables, Salted and Preserved Vegetables, Aquatic and Marine Products, Canned Goods, Sugar and Sweets, Wines and Spirits, Beverages, Dairy Products, Condiments, etc.

Liaoning Advertising Corporation
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Cable: LIAOAVT DALIAN
TELEX: 86151 LFTC CN